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Department of the Treasury
Internal Revenue Service

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Instructions for Form 990-PF

Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation

APR 2 1986

U. S. DEPOSITORY

(Section references are to the Internal Revenue Code, unless otherwise noted.)

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General Information

Changes You Should Note

Form 990-PF has been extensively revised this year. Most of the changes are related to new provisions in the Internal Revenue Code.

Except for Part I, all existing parts of the form have been renumbered this year. The renumbering is due either directly or indirectly to the addition of three new parts to the form. The new parts were added because of revisions to Chapter 42 of the Code, made by Public Law 98-369 (Tax Reform Act of 1984). In addition, some of the existing parts were relocated to get related items closer together or in sequence with each other.

The new Part V was added so that qualifying domestic foundations could make the computation needed to qualify for the reduced rate of tax on net investment income under section 4940(e).

Part VI (formerly Part II) has been revised to incorporate the new tax provisions of section 4940, which are: (1) subsection 4940(d)(2) that allows certain exempt operating foundations to pay no tax on net investment income, and (2) subsection 4940(e) that imposes a tax of only 1% on the net investment income of foundations that meet its requirements.

New Parts XI and XII were added for foundations to report details of their grant administrative expenses as required by section 4942(g)(4).

Note that some filing locations have been changed due to the realignment of some districts.

Organizations in Arizona, Arkansas, Louisiana, Montana, and Utah will send their returns to different Service Centers beginning with the 1985 tax year. Filers in those states see the "When and Where to File" instructions for the address of the Service Center where this year's return is to be filed.

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Form 990-PF is used by private foundations and by nonexempt charitable trusts, described in section 4947(a)(1), that are treated as private foundations to figure the tax on net investment income, to provide information on charitable activities and to report on charitable distributions. In addition, the form serves as a substitute for the nonexempt charitable trust's income tax return **Form 1041**, U.S. Fiduciary Income Tax Return, under certain conditions.

We have provided general instructions for private foundations, specific line instructions for completing Form 990-PF, and a sample filled-in Form 990-PF.

Definitions.—The terms "foundation manager" and "disqualified person" are used frequently in these instructions. The definitions below generally apply to these terms as used.

A foundation manager is an officer, director, or trustee of a foundation, or an individual who has powers similar to those of officers, directors, or trustees. In the case of any act or failure to act, the term "foundation manager" may also include employees of the foundation who have the authority to act.

A disqualified person is:

(1) a substantial contributor;

(2) a foundation manager;

(3) a person who owns more than 20% of a corporation, partnership, trust, or unincorporated enterprise, which is itself a substantial contributor;

(4) a member of the family of an individual in the first three categories; or

(5) a corporation, partnership, trust, or estate in which persons described in (1), (2), (3), or (4) above own a total beneficial interest of more than 35%.

(6) For purposes of section 4943 (excess business holdings), a disqualified person also includes:

(a) a private foundation which is effectively controlled (directly or indirectly) by the same persons who control the private foundation in question, or

(b) a private foundation substantially all of the contributions to which were made (directly or indirectly) by one or more of the persons described in (1), (2), and (3) above, or members of their families, within the meaning of section 4946(d), who made (directly or indirectly) substantially all of the contributions to the foundation in question.

(7) For purposes of section 4941 (self-dealing), a disqualified person also includes certain government officials. (See section 4946(c) and the related regulations.)

A nonexempt charitable trust treated as a private foundation is a trust:

- Which is not exempt from tax under section 501(a);
- All of the unexpired interests of which are devoted to religious, charitable, or other purposes described in section 170(c)(2)(B), and for which a deduction was allowed under a section of the Code listed in section 4947(a)(1) or to which reference is made in that section.

The term "charitable" when used in these instructions should be taken to mean "exempt" when it relates to a tax-exempt private foundation.

The term "private foundation" should be taken to include section 4947(a)(1) trusts.

The term "substantial contributor" has a new meaning added under section 507(d)(2)(C), for tax years beginning after December 31, 1984.

For additional information on private foundations and foundation managers, see **Publication 578**, Tax Information for Private Foundations and Foundation Managers. This publication is available free at most IRS offices.

General Instructions

A. Who Must File Form 990-PF.—Subsections (a), (b), and (c) of section 6033 require the filing of an annual information return (Form 990-PF) by exempt private foundations. Section 6033(d) applies these requirements to nonexempt charitable trusts treated as private foundations under section 4947(a)(1), and to taxable private foundations. These requirements also apply to foreign organizations. Organizations whose applications for exempt status are pending on the due date for filing Form 990-PF are also included if they agree to private foundation status. If your application for exemption is pending, check the "Application Pending" box on page 1 of the return and complete the return in the normal manner.

Nonexempt charitable trusts that are treated as private foundations may also use Form 990-PF, instead of Form 1041, to satisfy the return filing requirements of section 6012 if they have zero taxable income under subtitle A of the Code. If they have taxable income under subtitle A they must file both Form 1041 and Form 990-PF. The filing of Form 990-PF does not eliminate the requirements for filing any form other than Form 1041.

Organizations making an election under section 30(e)(4) are treated as private foundations and must file Form 990-PF. The section 4940 tax does not apply to them.

Organizations described in section 4947(a)(1) and further described in section 509(a) as not being private foundations need not complete Form 990-PF. However, they may be required to file **Form 990**, Return of Organization Exempt from Income Tax, and **Schedule A (Form 990)**, Organization Exempt Under 501(c)(3) (except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust Supplementary Information. See Form 990 Instructions.

B. Accounting Period.—The return must be filed on the basis of the established annual accounting period of the organization. If the organization has no

established accounting period, the return should be on the calendar year basis.

C. Period To Be Covered by Return.—File the 1985 return for the calendar year 1985 and fiscal years beginning in 1985. If the return is for a fiscal year, fill in the tax year space at the top of the return.

D. Accounting Methods.—Unless the instructions specify otherwise, report the financial information requested on the basis of the accounting method the foundation regularly uses in keeping its books and records.

E. When and Where to File.—This return must be filed by the 15th day of the 5th month following the close of the accounting period.

If the principal office of the organization is located in ▼	Use the following Internal Revenue Service Center address ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee	Atlanta, GA 31101
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
California, Hawaii, Nevada	Fresno, CA 93888
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169-171 and 173-196 only), Rhode Island, Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin	Kansas City, MO 64999
Alaska, Idaho, Oregon, Washington	Ogden, UT 84201
District of Columbia, Maryland, Pennsylvania (ZIP codes beginning with 150-168 and 172 only), Virginia, any U.S. possession, any foreign country	Philadelphia, PA 19255

A foundation may file **Form 2758,** Application for Extension of Time to File, to request an extension of time to file its return.

In case of a complete liquidation, dissolution, or termination, file the return by the 15th day of the 5th month following complete liquidation, dissolution, or termination.

F. Penalty for Late Filing.—If an organization does not file the return by the due date, a penalty will be charged the organization, unless there was reasonable cause for the late filing. The penalty is $10 for each day the return is late, up to a maximum of $5,000.

The Internal Revenue Service may make written demand that the return be filed within a reasonable time after the date of mailing the demand. If the return is not filed before the specified period expires, a penalty may also be charged the person or persons responsible for filing the return, unless there is reasonable cause for late filing. If more than one person is liable for failure to file the delinquent return, all such persons will be jointly and severally liable with respect to such failure. The penalty is $10 for each day the return is not filed after the period specified expires, up to a maximum of $5,000 (section 6652).

The penalty of $10 a day also applies if you file an incomplete return. To avoid filing an incomplete return or having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Since this return also satisfies the filing requirements of a tax return under section 6011 for the tax on investment income imposed by section 4940 (or 4948 if an exempt foreign organization), the penalties imposed by section 6651 for not filing a return (without reasonable cause) also apply to private foundations.

There are also penalties for willful failure to file and for filing fraudulent returns and statements. See sections 7203, 7206, and 7207.

G. Penalty for Not Paying Tax on Time.—Section 6651 imposes a penalty for not paying tax when due. The penalty is ½ of 1% of the unpaid tax for each month or part of a month the tax remains unpaid, not to exceed 25% of the unpaid tax. If there was reasonable cause for not paying the tax on time, the penalty can be waived. Interest, however, is charged on any tax not paid on time, at the rate provided by section 6621.

Special Rules for Section 507(b)(1)(B) Terminations.—If you are terminating your private foundation status under the 60-month provisions of section 507(b)(1)(B), special rules apply. (See Specific Instructions for details.) Under these rules you may file Form 990-PF without paying the tax on net investment income if the foundation filed a consent under section 6501(c)(4) with its notification to the district director of its intention to begin a section 507(b)(1)(B) termination. The consent states that the period of limitation on the assessment of excise tax under section 4940 or 4948 on investment income of any tax year in the 60-month period will not expire until at least one year after the period for assessing a deficiency for the last tax year in the 60-month period would normally expire. Any foundation not paying the tax with the filing of Form 990-PF must attach a copy of the signed consent.

If the foundation did not file the consent, the tax must be paid with the return. You may file a claim for refund after completing termination or during the termination period. The claim for refund must be filed timely and the organization must furnish information establishing that it qualified as a public charity for the period for which it paid the tax.

H. Public Inspection of Form 990-PF.—Information reported on or with the Form 990-PF, including all attachments, will be made available for public inspection under section 6104(b). This applies both to information required by the form and to information furnished voluntarily.

Foundation managers must make the annual return available for inspection during regular business hours at the principal office of the foundation, or may furnish a free copy to any person requesting inspection, provided the request is made at the time and in the manner prescribed in section 6104(d) and the related regulations.

A notice that the private foundation's annual return is available for inspection must be published by the due date for filing the annual return, including any extensions of time for filing. The notice must be published in a newspaper with general circulation in the county in which the principal office of the private foundation is located. (A newspaper or journal that publishes real estate title transfers or other similar legal notices to satisfy State statutory requirements is also considered to have general circulation.) The notice must state that the annual return of the private foundation is available for inspection at its principal office during regular business hours by any citizen who requests inspection within 180 days after the date the notice is published. It must also show the address and telephone number of the private foundation's principal office and the name of its principal manager. A private foundation may designate, in addition to its principal office, any other location at which its annual return will be made available. Another location may also be designated if the foundation has no principal office or none other than the residence of a substantial contributor or foundation manager.

A copy of the notice must be attached to the annual return filed with the Internal Revenue Service.

IRS makes the annual return available for public inspection under section 6104(d). Therefore, the return and any attachments should be of such quality that they can be reproduced photographically.

If a foundation does not publish the notice and attach a copy of it to a timely filed return, section 6652(d)(3) provides for a penalty of $10 a day, up to a maximum of $5,000 for any one return. The penalty is imposed on the person under a duty to perform the act but who fails to do so without reasonable cause. The penalty may also be imposed on any person who fails to make the return available for public inspection according to the section 6104(d) provisions discussed above. If more than one person is responsible for either failure to act, each person is jointly and severally liable for the full amount of the penalty.

A private foundation that has terminated its status as such under section 507(b)(1)(A), by distributing all its net assets to one or more public charities without retaining any right, title, or interest in those assets, should check the box on page 1 indicating termination. It does not have to publish notice of availability of its annual return or furnish the return to the public for the tax year in which it terminates (regulations section 1.507-2(a)(6)).

The notice and public inspection provisions discussed above do not apply to any foreign foundation which, from the date of its creation, has received at least 85% of its support (excluding gross investment income) from sources outside the United States. The provisions outlined in General Instruction K.1. also do not apply to such foreign foundations.

I. Liquidation, Dissolution, Termination, or Substantial Contraction.— Organizations liquidating, etc., must attach a statement to the return explaining the nature of any liquidation, dissolution, termination, or substantial contraction.

The term "substantial contraction" includes any partial liquidation or any other significant disposition of assets (other than transfers for full and adequate consideration or distributions of current income).

A "significant disposition of assets" does not include any disposition for a tax year if the total of:

(1) the dispositions for the tax year; and
(2) the total of related dispositions made during prior tax years (if a disposition is part of a series of related dispositions made during these prior tax years);

is less than 25% of the fair market value of the net assets of the organization at the beginning of the tax year (in the case of (1) above) or at the beginning of the tax year in which any of the series of related dispositions was made (in the case of (2) above).

Whether a significant disposition has occurred through a series of related dispositions will be determined from all the facts and circumstances of the particular case. Ordinarily, a distribution described in section 170(b)(1)(D)(ii) (relating to private foundations making qualifying distributions out of corpus equal to 100% of contributions received during the foundation's tax year) will not be taken into account as a significant disposition of assets. See regulations section 1.170A-9(g)(2).

In the case of a complete liquidation of a corporation or termination of a trust, state whether a final distribution of assets was made and the date made. Also attach a certified copy of the resolution or plan, if any, of liquidation, etc., and all amendments or supplements not previously filed, as well as a schedule listing the names and addresses of all recipients of assets distributed in liquidation, dissolution, or substantial contraction, and an explanation of the nature and fair market value of assets distributed to each recipient.

If the organization has ceased to exist, write "Final Return" at the top of page 1 of the return.

If the organization is terminating under section 507(b)(1)(B), see the 60-month termination rules under the Specific Instructions.

J. Organizations Organized or Created in a Foreign Country or U.S. Possession.— Regulations section 53.4948-1(b) provides that sections 507, 508, and Chapter 42 (other than section 4948) do not apply to a foreign private foundation which from the date of its creation has received at least 85% of its support (as defined in section 509(d)—other than section 509(d)(4)) from sources outside the United States.

Section 4948(a) imposes a 4% tax on the gross investment income (i.e., income from dividends, interest, rents, payments received after December 31, 1976, on securities loans (as defined in section 512(a)(5)), and royalties not reported on **Form 990-T,** Exempt Organization Business Income Tax Return), of an exempt foreign private foundation from U.S. sources. This tax is instead of the section 4940 tax on the net investment income of a domestic private foundation.

Taxable foreign private foundations and foreign section 4947(a)(1) trusts are not subject to the excise taxes under sections 4948(a) and 4940, but are taxed under subtitle A of the Code.

K. Annual Return, Information Returns, and Other Forms.—

1. Furnishing Copies of the Annual Return to State Officials.—The foundation managers must furnish a copy of the annual Form 990-PF to the Attorney General (or his or her designate) of (a) each State which they are required to list in Part VII, line 8a; (b) the State in which the principal office of the foundation is located; and (c) the State in which the foundation was incorporated or created. The return must be furnished at the same time it is sent to the IRS. The foundation managers must also provide a copy of the annual return to the Attorney General or other appropriate State official of any other State who requests it. The foundation managers must also attach to all copies of the annual return filed with an Attorney General a copy of any **Form 4720,** Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code, filed by the foundation with the IRS for the year. These provisions do not apply to a foreign foundation described in General Instruction H.

If the foundation managers submit a copy of Form 990-PF (and Form 4720, if any) to a State Attorney General to satisfy a State reporting requirement, they do not have to furnish a second copy to that Attorney General to comply with the Internal Revenue Code requirements covered by this instruction. If a State reporting requirement dictates that the copy of Form 990-PF be filed with a State official other than the Attorney General (such as a Secretary of State), the foundation managers must also furnish a copy of the Form 990-PF to the Attorney General of that State.

2. Form 990-T.—Every organization exempt from income tax under section 501(c)(3) that has gross income of $1,000 or more from business that is unrelated to the purpose on which the organization's exempt status is based must file a return on Form 990-T. For additional information on these filing requirements, see Form 990-T and Instructions.

3. Form 5500, 5500-C, or 5500-R.— You may be required to file Form 5500, 5500-C, or 5500-R if you have a pension benefit or welfare benefit plan. See the instructions for these forms for specific information about filing requirements.

READEX FICHE

4. Forms W-2 and W-3.—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

5. Form W-2P.—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

6. Form 1096.—Annual Summary and Transmittal of U.S. Information Returns.

7. Form 1099.—INT, MISC, OID, and R.— Information returns for reporting certain interest; miscellaneous income, medical and health care payments and nonemployee compensation; original issue discount; and total distributions from profit-sharing and retirement plans.

L. Use of Form 990-PF to Satisfy State Reporting Requirements.—Some States and local government units will accept a copy of Form 990-PF and required attachments in place of all or part of their own financial report forms.

If you intend to use Form 990-PF to satisfy State or local filing requirements, such as those arising under State charitable solicitation acts, note the following:

1. You should consult the appropriate officials of all States and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; or (d) maintaining a checking account or owning or renting property therein.
2. Some or all of the dollar limitations applicable to Form 990-PF when filed with IRS may not apply when using Form 990-PF in place of State or local report forms. IRS dollar limitations that may not meet some State requirements are the $5,000 total assets minimum that gives rise to an obligation to complete Part II, column (c), and Part XVI; the $30,000 minimum for listing the highest paid employees in Part VIII, and the $30,000 minimum for listing professional fees in Part VIII.
3. State and local filing requirements may require you to attach to Form 990-PF one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990-PF filed with IRS.

4. Even if the Form 990-PF you file with IRS is accepted by IRS as complete, a copy of the same return filed with a State will not fully satisfy that State's filing requirement if required information is not provided, including any of the additional information discussed above, or if the State determines that the form was not completed according to the applicable Form 990-PF instructions or supplemental State instructions. In that event, you may be asked to provide the missing information or to submit an amended return.
5. If you submit supplemental information or file an amended Form 990-PF with IRS, you must also furnish a copy of the information or amended return to any State with which you filed a copy of Form 990-PF originally to meet that State's filing requirement.
6. Many States require that all amounts be reported based on the accrual method of accounting.
7. The time for filing Form 990-PF with IRS differs from the time for filing reports with some States.

State Registration Number.—Insert the applicable State or local jurisdiction registration or identification number in the box provided (in the heading on page 1) for each jurisdiction in which you file Form 990-PF in place of the State or local form. When filing in several jurisdictions, prepare as many copies as needed with the State registration number omitted. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

Specific Instructions

Label—Name, Address, and Employer Identification Number.—If you received a Form 990-PF from the IRS with a preaddressed label, please attach the label to the name and address area of the return you file. If the name or address on the label is wrong, draw a line through the incorrect portion and enter the correct information. The address used must be that of the principal office of the foundation.

You should have only one employer identification number. If you have more than one number, notify the Internal Revenue Service Center, at the appropriate address shown under instruction E above, of the numbers you have, the name and address to which each number was assigned, and the address of your principal office. The IRS will then advise you which number to use.

Fair Market Value of Assets.—In this block on page 1, enter the fair market value of all assets the foundation held at the end of the tax year. This amount should be the same as the figure reported on line 16, column (c), Part II.

Type of Organization.—Check the block for "Exempt private foundation" if the foundation has a ruling or determination letter from IRS in effect that recognizes its exemption from Federal income tax as an organization described in section 501(c)(3) or if the organization's exemption application is pending with IRS. Check the "4947(a)(1) trust" block if the trust is a nonexempt charitable trust treated as a private foundation. All other filers should check the "Other taxable private foundation" block.

Section 507(b)(1)(A) Terminations.—See General Instructions H and I, also regulations section 1.507-2.

60-Month Termination Under Section 507(b)(1)(B).—Check the block on page 1 if you are terminating your private foundation status under the 60-month provisions of section 507(b)(1)(B) during the period covered by this return. To begin such a termination, a private foundation must have given advance notice to its key District Director and provided the information outlined in regulations section 1.507-2(b)(3).

See General Instruction G for information regarding the payment of the tax on investment income (computed in Part VI) during a section 507(b)(1)(B) termination.

Filing Requirements During Section 507 (b)(1)(B) Termination.—Although an organization terminating its private foundation status under section 507(b)(1)(B) may be regarded as a public charity for certain purposes, it is still considered a private foundation for purposes of the filing requirements under section 6033. Therefore, the organization must file an annual return on Form 990-PF. The return must be filed for each year in the termination period, if the termination period has not expired before the due date of the return.

The regulations under section 507(b)(1)(B)(iii) specify that within 90 days after the end of the termination period the organization must furnish information to its key District Director establishing that it has terminated its private foundation status and, therefore, qualifies as a public charity. If information is furnished establishing a successful termination, then for the final year of the termination period the organization should comply with the filing requirements for the type of public charity it has become. See the instructions for Form 990 and Schedule A (Form 990) for specific information on filing requirements. This applies even if the key district has not affirmed that the organization has terminated its private foundation status by the time the return for the final year of the termination is due (or would be due if a return were required).

The organization will be allowed a reasonable period of time to file any private foundation returns required (for the last year of the termination period) but not previously filed if it is later determined that the organization did not terminate its private foundation status. Interest on any tax due would be charged from the original due date of the Form 990-PF, but penalties under sections 6651 and 6652 would not be assessed if the Form 990-PF were filed within the period allowed by the key district.

Rounding Off to Whole-Dollar Amounts.—You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Currency and Language Requirements.—Report all amounts in U.S. dollars (state conversion rate used). Report all items in total, including amounts from both U.S. and non-U.S. sources. Furnish all information in English.

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) Show the form number and tax year.
(2) Show the organization's name and employer identification number.
(3) Include the information required by the form.
(4) Follow the format and line sequence of the form.
(5) Be on the same size paper as the form.

Part I—Analysis of Support, Revenue, and Expenses

Note: *The amounts in column (a) are the support, revenue, and expenses as shown in the books and records of the foundation. The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a).*

Column (a)—Revenue and Expenses per Books

Enter in column (a) all items of revenue and expense shown in the books and records that would increase or decrease the net worth of the organization. However, do not include the value of services donated to the foundation or items such as the free use of equipment or facilities in the contributions received.

Line 1.—Contributions, gifts, grants, etc., received.—Enter the total of gross contributions, gifts, grants, and similar amounts received. Attach an itemized schedule if money, securities, or other property valued at $5,000 or more was received directly or indirectly from one person during the year. The schedule should show the name, address, the total amount received from each such person, and the date received.

In determining whether a person has contributed $5,000 or more, total only gifts of $1,000 or more from each person. Separate and independent gifts need not be totaled if less than $1,000. If a contribution is in the form of property, furnish a description and fair market value of the property.

The term "person" includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income from savings and temporary cash investments. See the instructions for line 2, Part II, for definitions.

Line 4.—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type

reportable on line 10, Part II. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gain dividends reportable on line 6. See the instructions for line 11 for reporting income from program-related investments.

Line 5a.—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 11 of the Balance Sheets.

Line 5b.—Net rental income or (loss).—Figure the net rental income or (loss) for the year and enter that amount on line 5b. Do not carry this amount into columns (a) through (d).

Report rents from other sources on line 11, Other income. Enter on lines 13 through 23 any expenses, such as interest and depreciation, attributable to the rental income reported on line 5.

Line 6.—Net gain or (loss) from sale of assets.—Enter the net gain or (loss) per books from the sale of all assets not included on line 10. Since any gain is per the books and may include gain on the sale of assets used for charitable purposes, the gain entered here will not necessarily agree with that shown in the other columns. For assets sold and not included in Part IV, attach a schedule showing: (a) date acquired, manner of acquisition, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis or value at time of acquisition if donated (state which basis); (d) expense of sale and cost of improvements made subsequent to acquisition; and (e) depreciation since acquisition, if depreciable property.

Lines 10a-c.—Gross profit on sales of inventory.—Enter the gross sales (minus returns and allowances), cost of goods sold, and gross profit or (loss) from the sale of all inventory items, including those sold in the course of special fund raising events and activities. Do not report any sales or exchanges of investments on line 10. These inventory items are the ones the organization either makes to sell to others or buys for resale. An exempt private foundation must attach a statement explaining how each business activity not reported on Form 990-T contributed importantly to its exempt purpose.

Do not include the profit or (loss) from the sale of items of a capital nature such as securities, land, buildings, or equipment. Include such amounts on line 6.

Do not include any expenses incurred in the business activities such as salaries, taxes, rent, etc. Include them instead on lines 13 through 23.

Line 11.—Other income.—Enter the total of all other income of the foundation for the year, including royalty income, income from program-related investments (defined in the instructions for line 1(b), Part XIII), and from other assets used for charitable purposes (such as interest earned on scholarship loans and rents from low income tenants), imputed interest on certain deferred payments figured under section 483, and any investment income not reportable on lines 3 through 5. However, do not include unrealized gains and losses on investments carried at market value. Report those as fund balance or net worth adjustments in Part III. Attach a schedule showing the description and amount of the income.

Line 13.—Compensation of officers, directors, trustees, etc.—Enter the total compensation for the year of all officers, directors, and trustees. If none paid, enter -0-. Complete subpart 1 of Part VIII for the compensation of officers, directors, foundation managers, and trustees.

Line 14.—Other employee salaries and wages.—Enter the total salaries and wages of all employees other than those included on line 13.

Line 15.—Contributions to employee pension plans and other benefits.—Enter the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete Form 5500, 5500-C, or 5500-R, as appropriate for your plan. (See the instructions for Form 5500 for information about employee welfare benefit plans required to file that form.) Also include in the total the amount of Federal, State, and local payroll taxes for the year, but only those that are imposed on the organization as an employer. This would include the employer's share of FICA tax, FUTA tax, State unemployment compensation tax, and other State and local payroll taxes. Do not include taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and State income taxes and the employee's share of FICA taxes).

Lines 16a, b, c.—Legal, accounting, and other professional fees.—On the appropriate line(s), enter the total amount of legal, accounting, auditing, and other professional fees (such as fees for fund raising or investment services) charged by outside firms and individuals who are not employees of the foundation.

Attach a schedule for 16a, b and c showing the type of service and amount of expense for each. If the same person provided more than one of these services, provide an allocation of those expenses. (See instructions for Part VIII, line 3.) Report any fines, penalties, or judgments imposed against the foundation as a result of legal proceedings on line 23, Other expenses.

Line 18.—Taxes.—Enter the total taxes paid (or accrued) during the year. The total should include all types of taxes recorded on the books, including real estate tax not reported on line 20, the tax on investment income, and any income tax. Attach a schedule listing the type and amount of each tax reported on line 18. Do not enter on this line any taxes included in line 15.

Line 19.—Depreciation and depletion.—Enter the total expense recorded on the books for the year.

For depreciation attach a schedule showing: (a) description of the property; (b) date acquired; (c) cost or other basis (exclude any land); (d) depreciation allowed or allowable in prior years; (e) method of computation; (f) rate (%) or life (years); and (g) depreciation this year. Show on a separate line in the schedule the amount of depreciation included in cost of goods sold and not included on line 19.

Line 20.—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities. If the space is rented or leased, enter the amount of rent; if owned, enter the amount of mortgage interest, real estate taxes, and similar expenses, but not depreciation (reportable on line 19). In either case, include the amount for utilities and related expenses, e.g., heat, lights, water, power, telephone, sewer, trash removal, outside janitorial services, and similar services. Do not include any salaries of your own employees (reportable on line 14).

Line 21.—Travel, conferences, and meetings.—Enter the total expenses for officers, employees or others during the year for travel, attending conferences, meetings, etc. The amount should include transportation (including fares, mileage allowance or automobile expenses), meal and lodging and related costs whether paid on the basis of a per diem allowance or actual expenses incurred. Do not include any compensation paid to those who participate.

Line 22.—Printing and publications.—Enter the total amount of expenses for printing or publishing and distributing any newsletters, magazines, etc. Also include on line 22 the cost of subscriptions to, or purchases of magazines, newspapers, etc.

Line 23.—Other expenses.—Enter the total of all other expenses for the year for which a separate line is not provided. Attach a schedule showing the type and amount of each expense.

If a deduction is claimed for amortization, attach a schedule showing: (a) a description of the expenses being amortized; (b) date acquired, completed, or expended; (c) amount being amortized; (d) amortization deducted in prior years; (e) amortization period (number of months); (f) amortization for this year; and (g) the total amount of amortization.

Line 24.—Total operating and administrative expenses.—This line includes all operating expenses shown on lines 13 through 23.

Line 25.—Contributions, gifts, grants paid.—Enter the total of all contributions, gifts, grants, and similar amounts paid (or accrued) for the year. List each contribution, gift, grant, etc., in Part XVI or attach a schedule of the items included on line 25 listing: (a) each class of activity; (b) separate total for each activity; (c) name and address of donee; and (d) relationship of donee, if related by blood, marriage, adoption, or employment (including children of employees) to any disqualified

person (see definitions); and (e) the organizational status of donee (for example, public charity—an organization described in section 509(a)(1), (2), or (3)) for each organization for which the foundation does not exercise expenditure responsibility under section 4945(d)(4). You do not have to give the name of any indigent person who received one or more gifts or grants from the foundation unless that person is a disqualified person or one who received a total of more than $1,000 from the foundation during the year.

Activities should be classified according to purpose in greater detail than merely charitable, educational, religious, or scientific. For example, payments for nursing service, for fellowships, or for assistance to indigent families should be so identified.

Foundations may include as a single entry on the schedule the total of amounts paid as grants for which the foundation exercised expenditure responsibility. Attach a separate report for each grant.

When the fair market value of the property at the time of disbursement is the measure of a contribution, the schedule must also show: (a) description of the contributed property; (b) book value of the contributed property; (c) the method used to determine the book value; (d) the method used to determine the fair market value; and (e) the date of the gift. The difference between fair market value and book value should be shown in the books of account.

Line 27a.—Excess of revenue over expenses.—Subtract line 26, column (a), from line 12, column (a). Enter the difference. Generally, the amount shown in column (a) on this line would also be the amount by which the net worth (or fund balances) has increased or decreased for the year. See instructions for Part III, Analysis of Changes in Net Worth or Fund Balances.

Column (b)—Net Investment Income

All domestic private foundations (including section 4947(a)(1) trusts) are required to pay an excise tax each tax year on net investment income. The items of income and expense to be included in computing net investment income should be listed in Part I, column (b). These items may represent all or part of the amounts shown in column (a). Exempt foreign foundations are subject to an excise tax on their gross investment income from U.S. sources.

Include in column (b) on each line only that portion of the amount from column (a) that applies to investment income. For additional rules on amounts to be included or deducted, refer to the instructions for the specific line items.

If any of the expenses listed in column (a) are paid or incurred for both investment and charitable purposes, they must be allocated on a reasonable basis between the investment activities and the charitable activities.

If column (a) contains any interest, dividends, rents or royalties (and related expenses) that were reported on a separate Form 990-T as derived from a trade or business that is unrelated to your charitable purpose, do NOT include those items in column (b). For example, investment income derived from debt-financed property unrelated to your charitable purpose, and certain rents (and related expenses) treated as unrelated trade or business income should be reported on Form 990-T. Income from debt-financed property that is not taxed under section 511 is taxable under section 4940. For example, if the debt/basis percentage of a debt-financed property is 80%, only 80% of the gross income and expenses for that property is taken into account in figuring income subject to tax under section 511. The remaining 20% of the gross income and expenses of the property is includible in figuring net investment income for section 4940 purposes. See Form 990-T and Instructions for more information.

Include in column (b) interest, dividends, rents, and royalties derived from assets devoted to charitable activities. For example, interest received on a student loan would be included in column (b).

The deduction for expenses paid or incurred in any tax year for producing gross investment income earned incident to a charitable function cannot be more than the amount of income earned from the function which is includible as gross investment income for the year. For example, if rental income is incidentally realized in 1985 from historic buildings held open to the public, deductions for amounts paid or incurred in 1985 for the production of such income may not be more than the amount of rental income includible as gross investment income for 1985.

Include in column (b) all ordinary and necessary expenses paid or incurred to produce or collect interest, dividends, rents, amounts received from payments on securities loans (as defined in section 512(a)(5)), and royalties, or for the management, conservation, or maintenance of property held for the production of income.

Exempt foreign organizations should complete lines 3, 4, 5, 11, 12, and 27b of column (b) and report ONLY income derived from U.S. sources. No other income is to be included. No expenses are allowed as deductions.

Line 2.—Certain contributions from "split-interest" trusts described in section 4947(a)(2).—The income portion of distributions from split-interest trusts is treated as investment income to the extent that it was earned on amounts placed in trust after May 26, 1969. Include only that income portion of such distributions on line 2.

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income shown in column (a).

Line 4.—Dividends and interest from securities.—Enter the amount of dividend and interest income, and payments on securities loans from column (a), except for interest on tax-exempt government obligations.

Line 5.—Gross rents.—Enter the gross rental income from column (a).

Line 7.—Capital gain net income.—Enter the capital gain net income from Part IV, line 2.

Line 11.—Other income.—Enter the amount of investment income included in line 11, column (a). Include dividends, interest, rents, and royalties derived from assets devoted to charitable activities, such as interest on student loans.

Line 12.—Total.—Domestic organizations enter the total of lines 1 through 11. Exempt foreign organizations enter the total of lines 3, 4, 5, and 11 only.

Note: *Do not include in lines 13 through 23 of column (b) any expenses paid or incurred that are allocable to tax-exempt interest that is excluded from lines 3 and 4.*

Line 18.—Taxes.—Enter only those taxes included in column (a) that are related to investment income. Do NOT, however, include the tax paid or incurred on net investment income as shown in Part II of Form 990-PF for 1984 (cash basis filers), or Part VI of Form 990-PF for 1985 (accrual basis filers).

Line 19.—Depreciation and depletion.—A deduction for depreciation is allowed only for property used in connection with the production of investment income, and ONLY on the straight-line method of computing depreciation.

A deduction for depletion is allowed, but must be computed ONLY on the cost depletion method.

The basis used in computing depreciation and depletion is the basis determined under normal basis rules, without regard to the fair market value on December 31, 1969, that may be used in determining gain or loss when the asset is sold.

Line 23.—Other expenses.—Enter the part of other expenses included in column (a) that applies to investment income.

A deduction for amortization is allowed, but only for an asset used for the production of investment income.

Line 27b.—Net investment income.—Domestic organizations subtract line 26 from line 12. Enter the difference. Exempt foreign organizations enter the amount shown on line 12.

The amount entered is subject to the excise tax imposed on private foundations (domestic organizations—1% (4940(e), 2% (4940(a) or (b)), exempt foreign organizations—4% (4948)) as computed in Part VI. However, if you are a domestic organization and line 26 is more than line 12 (e.g., expenses exceed income), enter -0-, rather than a negative amount.

Column (c)—Adjusted Net Income

The amounts included in column (c) are used to figure the private foundation's adjusted net income. In general, adjusted net income is the amount by which a private foundation's gross income is more than the expenses of earning the income. The modifications and exclusions explained below are applied to gross income and expenses in figuring adjusted net income.

Note: *In completing column (c) include in each line only that portion of the amount from column (a) that is applicable to the adjusted net income computation.*

Include in income all amounts derived from, or connected with, property held by the foundation. This applies to any income attributable to amounts set aside, income from all charitable functions, and from any unrelated trade or business activity. Do not include gifts, grants, or contributions, or long-term capital gains or losses.

Deductible expenses include that part of a private foundation's operating expenses that is paid or incurred to produce or collect gross income. If only a part of the property produces income includible in column (c), deductions such as interest, taxes, and rent must be divided between the charitable and noncharitable uses of the property. If the deductions for property used for a charitable, educational, or other similar purpose are more than the income derived from the property, the excess will not be allowed as a deduction, but may be treated as a qualifying distribution in Part I, column (d).

Special Rules for Nonoperating Private Foundations.—All organizations that claim status as private operating foundations under section 4942(j)(3) or 4942(j)(5) must complete all lines of column (c) that apply, according to the general rules above and the specific line instructions below. These special rules apply only to nonoperating private foundations.

(1) If a nonoperating private foundation has no income from charitable activities that would be reportable on line 10 or line 11 of Part I, it does not have to make any entries in column (c).

(2) Nonoperating private foundations having income from charitable activities must report that income on lines 10 and/or 11 in column (c). The expenses attributable to each specific charitable activity, up to the amount of income derived from the activity, must be reported in column (c) on lines 13 through 26. If the expenses of any charitable activity exceed the income generated by that activity, the excess of these expenses over the income, and only that excess, should be reported in column (d). Other income and expenses (such as investment income and expenses), that would otherwise be reportable in column (c) by these foundations, do not have to be reported in that column.

Examples: *(i) A charitable activity generated $5,000 of income and $4,000 of expenses. Report all of the income and expenses in column (c) and none in column (d). (ii) A charitable activity generated $5,000 of income and $6,000 of expenses. Report $5,000 of income and $5,000 of expenses in column (c) and the excess expenses of $1,000 in column (d).*

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income shown in column (a).

Line 4.—Dividends and interest from securities.—Enter the amount of dividends and interest income, and payments on securities loans from column (a), including interest on tax-exempt government obligations.

Line 5.—Gross rents.—Enter the gross rental income from column (a).

Line 8.—Net short-term capital gain.—Include only net short-term capital gain for the year (assets sold or exchanged that were held not more than 6 months, or 12 months for assets acquired before June 23, 1984). Do not include net long-term capital gains and losses or a net short-term capital loss in column (c).

The net gain from the sale or exchange of depreciable property, or land used in a trade or business and held more than 6 months (or 12 months, if applicable), is not included in the computation of adjusted net income. The net loss from such property, however, should be included on line 23, Other expenses.

In general, organizations may use the net short-term capital gain reported in Part IV, line 3. However, since Part IV does not take into account capital gains and losses related to debt-financed property, any short-term capital gain on debt-financed property would have to be taken into account in figuring the net short-term capital gain reported on line 8. See the instructions for Form 990-T for definition of "debt-financed property."

Note: *Only organizations claiming to be private operating foundations need to compute their short-term capital gains and report them on line 8. See the instructions above under the heading "Special Rules for Nonoperating Private Foundations."*

Line 9.—Income modifications.—Include on this line:

(a) Amounts received or accrued as repayments of amounts taken into account as qualifying distributions (see instructions for Part XIII for explanation of qualifying distributions) for any year.

(b) Amounts received or accrued from the sale or other disposition of property to the extent that the acquisition of the property was considered a qualifying distribution for any tax year.

(c) Any amount set aside for a specific project (see explanation for set-asides in the instructions for Part XIII) that was not necessary for the purposes for which it was set aside.

(d) Income received from an estate but only if the estate was considered terminated for income tax purposes due to a prolonged administration period.

(e) Amounts treated in a preceding tax year as qualifying distributions to:

(i) a private foundation which is not an operating foundation if the amounts were not redistributed by the grantee organization by the close of its tax year following the year in which it received the funds, or

(ii) an organization controlled by the distributing foundation or a disqualified person if the amounts were not redistributed by the grantee organization by the close of its tax year following the year in which it received the funds.

Line 10.—Gross profit on sales of inventory.—Enter the gross profit from sales of inventory as shown in column (a), line 10c.

Line 11.—Other income.—Include all other items includible in adjusted net income not covered elsewhere in column (c). Do not include imputed interest figured under section 483 in the case of binding contracts entered into in a tax year beginning before January 1, 1970.

Line 13.—Compensation of officers, etc.— Enter the portion of the compensation included in column (a) that was paid or incurred to produce or collect income included in column (c).

Line 18.—Taxes.—Enter only those taxes included in column (a) that relate to income included in column (c). Do NOT include any excise tax paid or incurred on the net investment income (as shown in Part VI), or any income tax paid or incurred on income reported on Form 990-T.

Line 19.—Depreciation and depletion.—A deduction for depreciation is allowed only for property used in connection with the production of income reported in column (c), and ONLY on the straight-line method of computing depreciation.

A deduction for depletion is allowed, but must be figured ONLY on the cost depletion method.

In figuring depreciation and depletion, determine the basis under normal basis rules, without regard to the special rules for using the fair market value on December 31, 1969, that relate only to gain or loss on dispositions.

Line 21.—Travel, conferences, and meetings.—Enter the total amount of expenses paid or incurred by officers, employees, or others for travel, conferences, meetings, etc. related to income included in column (c). Include transportation costs and expenses for food, lodging and related costs whether paid on the basis of a per diem allowance or actual expenses incurred. Also include registration fees or similar expenses for conferences, meetings, etc.

Line 22.—Printing and publications.—Enter the total amount paid or incurred for printing and distributing newsletters, magazines, directories, etc. published by the organization, and subscription costs for magazines or newspapers that relate to income included in column (c).

Line 23.—Other expenses.—In addition to the applicable portion of expenses from column (a), also include any net loss from the sale or exchange of land or depreciable property that was held for 6 months or more (12 months for such property acquired before June 23, 1984) and used in a trade or business.

A deduction for amortization is allowed, but only for assets used for the production of income reported in column (c).

Line 27c.—Adjusted net income.— Enter the difference between column (c), line 12, and column (c), line 26. If line 26 is more than line 12 (i.e., expenses exceed income) enter a -0- rather than a negative amount on line 27c.

Column (d)—Disbursements for Charitable Purpose

Expenses entered in column (d) relate to activities that constitute the charitable purpose of the foundation. The total of the expenses and disbursements on line 26 will be taken into account in Part XIII in figuring total qualifying distributions.

Determine the amounts entered in column (d) on the cash receipts and

disbursements method of accounting, regardless of the method of accounting used in keeping the books of the foundation.

Generally, gifts and grants to organizations described in section 501(c)(3) that have been determined to be publicly supported charities (i.e., organizations not private foundations as defined in section 509(a)) are qualifying distributions, provided that the granting foundation does not control the public charity.

Include on lines 13 through 25 all expenses, including necessary and reasonable administrative expenses, paid by the foundation for religious, charitable, scientific, literary, educational, or other public purposes, or for the prevention of cruelty to children or animals.

Do not include in column (d) any amount or part of an amount that is included in columns (b) or (c). If an expense is related to the production of income and also to the charitable purposes of the foundation, enter only the part allocable to the charitable purposes in column (d).

For purposes of column (d), include a distribution of property at the fair market value on the date the distribution was made.

If you want to provide an analysis of disbursements that is more detailed than column (d), you may attach a schedule instead of completing lines 13 through 25. The schedule must include all the specific items of lines 13 through 25, and the total from the schedule must be entered in column (d), line 26.

Line 18.—Taxes.—Do not include any excise tax paid on investment income (as reported in Part VI of this return or the equivalent part of a return for prior years) unless the organization is claiming status as an operating foundation.

Line 25.—Contributions, gifts, grants paid.—Enter on line 25 all contributions, gifts, and grants the foundation paid during the year. Do not include contributions to organizations controlled (see below) by the foundation or by a disqualified person (see General Information at the beginning of the instructions for definition) or contributions to nonoperating foundations, unless the donees are exempt from tax under section 501(c)(3), they redistribute the contributions, and maintain sufficient evidence of redistributions according to the regulations under section 4942(g). Do not reduce the amount of grants paid in the current year by the amount of grants paid in a prior year that was returned or recovered in the current year. Report those repayments in column (c), line 9, and on line 4a of Part X. Do not include any payments of set-asides (see instructions for line 3, Part XIII) that were taken into account as qualifying distributions in any prior year. All set-asides are included in qualifying distributions in the year of the set-aside regardless of when paid.

Do not include any payments that are not qualifying distributions as defined in section 4942(g)(1).

Control.—An organization is controlled by a foundation or by one or more disqualified persons with respect to the foundation if any of these persons may, by combining their votes or positions of authority, require the organization to make an expenditure or prevent the organization from making an expenditure, regardless of the method of control. "Control" is determined without regard to the conditions imposed by a foundation on the manner in which the contribution must be used.

Part II—Balance Sheets

Attached schedules called for by line items in this part must show the value of the assets listed at the end of the tax year. Schedules for column (b) must show the book value at the end of the year and schedules for column (c) must show the fair market value at the end of the year. The schedules must show the end of year value for each asset listed.

When space is provided to the left of column (a) for reporting receivables and the related allowance for doubtful accounts or depreciable assets and accumulated depreciation, enter the end of year figures.

Foundations that had assets of $5,000 or more at any time during the year must complete all of column (c).

Line 1.—Cash—non-interest bearing.—Enter the amount of cash on deposit in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 2.—Savings and temporary cash investments.—Enter the total of cash in savings or other interest bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year.

Line 3.—Accounts receivable.—Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 15, Other assets.) Any receivables due from officers, directors, trustees, foundation managers, or other disqualified persons must be reported on line 6. Receivables (including loans and advances) due from other employees should be reported on line 15.

Line 4.—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of the year, reduced by the amount of pledges estimated to be uncollectible.

Line 5.—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 6.—Receivables due from officers, directors, trustees, and other disqualified persons.—All receivables due from officers, directors, trustees, foundation managers, and other disqualified persons and all secured and unsecured loans (including advances) to such persons must be reported on line 6 and in an attached schedule described below.

In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose in connection with an activity functionally related to the foundation's charitable purposes may be reported as a single total for all the officers, directors, etc. Travel advances made in connection with official business of the organization may also be reported as a single total.

However, salary advances and other advances for the personal use and benefit of the recipient and receivables subject to special terms or arising from transactions not functionally related to the foundation's charitable purposes must be reported as separate loans for each officer, director, etc.

Attach a schedule that shows the following information (preferably in columnar form) for each loan or other receivable outstanding at the end of the year that must be reported separately according to the above instructions:

(a) Borrower's name and title;
(b) Original amount;
(c) Balance due;
(d) Date of note;
(e) Maturity date;
(f) Repayment terms;
(g) Interest rate;
(h) Security provided by the borrower;
(i) Purpose of the loan; and
(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc. common stock—$9,000).

The above detail is not required for receivables or travel advances that may be combined and reported in total (see above instructions), but report and identify those totals separately in the attachment.

Line 7.—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 6 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 6. The schedule should also identify the relationship of the borrower to any officer, director, trustee, foundation manager, or other disqualified person.

For a note receivable from any section 501(c)(3) organization, list only the name of the borrower and the balance due on the required schedule.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as scholarship loans). An itemized list of these loans is not required, but attach a schedule indicating the total amount of each type of loan outstanding.

Loans to officers, directors, trustees, foundation managers, or other disqualified persons must be reported on line 6. Loans to other employees should be reported on line 15.

Line 8.—Inventories for sale or use.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 9.—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and

pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Line 10.—Investments—securities.—Enter the book value (which may be market value) of securities held as investments and attach a schedule that lists each security held at the end of the year and shows whether the security is listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end of year market value. Do not include amounts shown on line 2. Debt securities of the U.S. government may be reported as a single total rather than itemized. Obligations of State and municipal governments may also be reported as a lump-sum total; do not combine these with U.S. government obligations.

Line 11.—Investments—land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 12.—Investments—mortgage loans.—Enter the amount of mortgage loans receivable held as investments, but do not include program-related investments (see instructions for line 15).

Line 13.—Investments—other.—Enter the amount of all other investment holdings not reported on lines 10 through 12. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end of year market value. Do not include program-related investments (see instructions for line 15).

Line 14.—Land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This would include any property, plant, and equipment owned and used by the organization in conducting its charitable activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 15.—Other assets.—List and show the book value of each category of assets not reportable on lines 1 through 14. Attach a separate schedule if more space is needed.

One type of asset reportable on line 15 would be program-related investments, which are investments made primarily to accomplish a charitable purpose of the filing organization rather than to produce income.

Line 16.—Total assets.—Organizations having assets of $5,000 or more at any time during the year, enter the total of lines 1 through 15 in columns (a), (b), and (c). Those having assets of less than $5,000 enter the fair market value of assets held at the end of the year only in column (c).

Line 17.—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 18.—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 19.—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 20.—Loans from officers, directors, trustees, and other disqualified persons.—Enter the unpaid balance of loans received from officers, directors, trustees, and other disqualified persons. For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 6.

Line 21.—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each non-mortgage note payable, the name of the lender and the other information specified in items (b) through (j) of instruction 6. The schedule should also identify the relationship of the lender to any officer, director, trustee, foundation manager, or other disqualified person.

Line 22.—Other liabilities.—List and show the amount of each liability not reportable on lines 17 through 21. Attach a separate schedule if more space is needed.

Line 23.—Total liabilities.—Enter the total of lines 17 through 22.

Lines 24 through 31—Fund Balances or Net Worth—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 24 and complete lines 24 through 27 to report the various fund balances. Also complete line 31 to report the sum of the fund balances and line 32 to report the sum of the total liabilities and fund balances. Organizations not using fund accounting, see the instructions under that heading (below) for completing the net worth section.

Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. Form 990-PF, however, requires such consolidation. Recognition of the separate funds and the net changes within the various funds during the year is accomplished by the fund balances section (lines 24 through 27) of the balance sheet.

Some States that accept Form 990-PF as their basic report form may require a separate statement of changes in fund balances.

Line 24.—Current funds.—Enter the sum of the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 25.—Land, buildings, and equipment fund.—Enter the fund balance per books for the land, buildings, and equipment fund (plant fund).

Line 26.—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Annuity and life income fund balances may be reported here if not significant in amount, or on line 27. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 27.—Other funds.—Enter the total of the fund balances for all funds not reported on lines 24 through 26. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end of year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 28 and report net worth account balances on lines 28 through 31. Also complete line 32 to report the sum of the total liabilities and net worth.

Line 28.—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 29.—Paid-in or capital surplus.—Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others made donations that the organization records as paid-in capital, include them here. Any current year donations you include on line 29 must also be reported in Part I, line 1.

Line 30.—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account.

Line 31.—Total fund balances or net worth.—For organizations that use fund accounting, enter the total of lines 24 through 27. For all other organizations, enter the total of lines 28 through 30. The beginning of the year figure in column (a) should be carried over to Part III, line 1. The end of year figure in column (b) should agree with the figure on line 6 of Part III.

Line 32.—Total liabilities and fund balances/net worth.—Enter the total of lines 23 and 31. That figure must equal the figure for total assets reported on line 16 for both the beginning and end of year.

Part III—Analysis of Changes in Net Worth or Fund Balances

Generally, the difference between the net worth at the beginning and end of the year would be accounted for by Part III, line 2, the excess of support and revenue over expenses. On lines 3 and 5, list any changes in the net worth that were not caused by the receipts or expenses shown in Part I, column (a). For example, if an asset is shown in the ending balance sheet at a higher value than in the beginning balance sheet because of an increased market value, include the increase in Part III, line 3. Also, if you use a stepped-up basis to determine gains on sales of assets included in column (a), then include the amount of step-up in basis in Part III.

Part IV—Capital Gains and Losses for Tax on Investment Income

Use Part IV to figure the amount of net capital gain to report on lines 7 and 8 of Part I. This part does not apply to foreign organizations. Organizations that are not private operating foundations do not have to figure their short-term capital gains . See the "Special Rules for Nonoperating Private Foundations" under Part I, column (c).

Private foundations must report gains and losses from the sale or other disposition of property used to produce interest, dividends, rents, royalties, or other income. If the foundation disposes of property that is used to produce income subject to the unrelated business income tax, include any gain or loss from the sale of that property in net investment income, but only the part that is not included in the computation of unrelated business taxable income. Property is treated as held for investment purposes even if the foundation disposes of the property as soon as it receives it, if the property generally produces interest, dividends, rents, royalties, or capital gains through appreciation.

Do not include any gain or loss from disposing of property used for the foundation's charitable purposes in the computation of tax on net investment income. If the foundation uses property for its charitable purposes, but also incidentally derives income from the property which is subject to the net investment income tax, any gain or loss from the sale or other disposition of the property is not subject to the tax.

However, if the foundation uses property both for charitable purposes and (other than incidentally) for investment purposes, include in the computation of tax on net investment income that part of the gain or loss from the sale or disposition of the property that is allocable to the investment use of the property.

Do not include gains or losses from the sale or exchange of program-related investments as defined in the instructions for line 1(b) of Part XIII.

For further information, see section 4940(c)(4).

Losses.—If the disposition of investment property results in a loss, that loss may be subtracted from capital gains realized from the disposition of property during the same tax year, but only to the extent of the gains. If losses are more than gains, the excess may not be subtracted from gross investment income, nor may the losses be carried back or forward to other tax years.

Basis.—The basis for determining gain from the sale or other disposition of property is the larger of:

(1) The fair market value of the property on December 31, 1969, plus or minus all adjustments after December 31, 1969, and before the date of disposition, provided the foundation held the property on that date and continuously after that date until disposition; or

(2) The basis of the property on the date of disposition under normal basis rules (actual basis).

For determining a loss, basis is determined on the date of disposition under normal basis rules.

See Chapter IV of Publication 578 for examples of how to determine gain or loss.

Part V—Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

This part is used by exempt domestic private foundations, otherwise subject to the section 4940(a) 2% tax on net investment income, to determine whether they qualify for the reduced 1% tax under section 4940(e). A separate computation must be made for each year in which the foundation wants to qualify for the reduced tax.

Line 1, column (a), shows the base period years used to determine the average percentage payout shown on line 3. The amounts shown in columns (b) and (c) are taken from Part X, line 4, and Part VIII, line 5, respectively, of the appropriate prior years' returns.

Line 1, column (b).—Enter the amount of qualifying distributions made for each year shown.

Line 1, column (c).—Enter the net value of noncharitable-use assets for each year.

Line 1, column (d).—Enter the payout ratio determined for each year.

Line 2.—Enter the total of column (d), line

Line 3.—Divide the figure on line 2 by 5, or the number of years the foundation has been a private foundation if less than 5 years.

Line 4.—You must complete Part IX to get the amount for this line.

Line 8.—You must complete lines 1-6 of Part XIII to get the amount to enter here.

Part VI—Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e) or 4948)

General rules for tax on investment income.—Domestic exempt private foundations generally are subject to a 2% tax on net investment income under section 4940(a). For tax years beginning on or after January 1, 1985, certain domestic tax exempt private foundations may qualify for a reduced tax of 1% under section 4940(e), or may not owe any tax under section 4940(d)(2).

A modified 2% tax on the net investment income of domestic section 4947 (a)(1) trusts and taxable foundations is imposed by section 4940(b).

The section 4940 tax does not apply to an organization making an election under section 30(e)(4).

Exempt foreign private foundations are subject, under section 4948, to a 4% tax on their gross investment income derived from U.S. sources.

Other foreign organizations that filed **Form 1040NR**, U.S. Nonresident Alien Income Tax Return, or **Form 1120F**, U.S. Income Tax Return of a Foreign Corporation, enter "N/A" in Part II.

A domestic exempt private foundation that qualifies as an exempt operating foundation under section 4940(d)(2) does not owe any tax on net investment income on this return. To qualify as an exempt operating foundation for a particular year, an organization must meet all the requirements of section 4940(d)(2) for the entire tax year.

A domestic exempt private foundation that wants to qualify for the section 4940(e) 1% tax on net investment income must properly complete Part V to determine whether it qualifies.

A domestic section 4947(a)(1) trust or taxable private foundation subject to the tax on net investment income under section 4940(b) must first compute the tax under section 4940(a) as if that tax applied to it.

Tax Computation.—

Line 1.—Use these instructions to figure the tax, if any, for the year. Make only one entry for line 1.

1a.—Domestic exempt operating foundations (as defined in section 4940(d)(2)), check the box, attach a copy of the ruling letter, enter "N/A" on line 1, and leave the rest of Part VI blank.

1b.—Domestic exempt foundations meeting section 4940(e) requirements, check the box and enter the amount from Part V, line 6.

1c.—All other domestic organizations, enter 2% of Part I, line 27b. Foreign organizations, enter 4% of Part I, line 27b.

Line 2.—Section 511 tax.—Under section 4940(b), a domestic section 4947 (a)(1) trust or taxable private foundation must add to the tax figured under section 4940(a) the tax which would have been imposed under section 511 for the tax year if it had been exempt from tax under section 501(a). If the domestic section 4947(a)(1) trust or taxable private foundation has unrelated business taxable income that would have been subject to the tax imposed by section 511, the computation of tax must be shown in an attachment. Form 990-T may be used as the attachment. All other filers enter -0-.

Line 3.—Subtotal.—Add lines 1 and 2.

Line 4.—Subtitle A tax.—Domestic section 4947(a)(1) trusts and taxable foundations enter the amount of subtitle A tax for the year reported on Form 1041 or **Form 1120**, U.S. Corporation Income Tax Return. All other filers enter -0-.

Line 5.—Tax on investment income.—Subtract line 4 from line 3 and enter the difference (but not less than -0-) on line 5. Unless you are a domestic section 4947(a)(1) trust or taxable private foundation, the amount is the same as line

1. The tax shown on line 5 may not be less than zero. Any overpayment entered on line 8 that is the result of a negative amount shown on line 5 will not be refunded.

Line 6.—Credits.—Domestic organizations enter tax paid with application for extension of time to file (Form 2758). Exempt foreign organizations enter tax withheld at source. Do not include any tax reported on line 4.

Line 7.—Tax due.—If line 5 is more than line 6, subtract line 6 from line 5 and enter the tax due. The amount of tax due shown here must be paid in full by the due date for filing the return. However, see the special rules under General Instruction G for organizations terminating their private foundation status under section 507(b)(1)(B).

Line 8.—Overpayment.—If line 6 is more than line 5, subtract line 5 from line 6 and enter the overpayment (refund).

Part VII—Statements Regarding Activities

General

Every question in this section should be answered Yes, No, or N/A (not applicable).

In addition to the excise tax on the investment income of private foundations, there are excise taxes imposed on acts of self-dealing between private foundations and disqualified persons, failure to distribute income, excess business holdings, investments that jeopardize the foundation's charitable purposes, and making expenditures that do not further the foundation's charitable purposes. Certain taxes and penalties also apply to foundation managers, substantial contributors, and certain related persons. The purpose of most of the questions in Part VII is to determine whether there is any initial tax due under section 4941, 4942, 4943, 4944, or 4945. If you answer "No" to question 10b, 11b, or 14b; OR "Yes" to question 10c, 12b, or 13a or b, complete and attach Form 4720, unless an exception applies.

Line 1.—Political purposes include, but are not limited to: directly or indirectly accepting contributions or making payments to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice Presidential electors, whether or not the individual or electors are actually selected, nominated, elected, or appointed.

Line 3.—A conformed copy of an organizational document is one that agrees with the original document and all its amendments. If copies are not signed, attach a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Line 6.—In order for a private foundation to be exempt from income tax, its governing instrument must include provisions that require it to act or refrain from acting so as not to engage in an act of self-dealing (section 4941) or subject the foundation to the taxes imposed by sections 4942 (failure to distribute income), 4943 (excess business holdings), 4944 (investments which jeopardize charitable purpose), and 4945 (taxable expenditures). A private foundation may satisfy these section 508(e) requirements either by express language in its governing instrument or by application of State law which imposes the above requirements on the foundation or treats these requirements as being contained in the governing instrument. If an organization claims it satisfies the requirements of section 508(e) by operation of State law, the provisions of State law must effectively impose the section 508(e) requirements on the organization. See Rev. Rul. 75-38, 1975-1 C.B. 161, for a list of States with legislation that satisfies the requirements of section 508(e).

If, however, the State law does not apply to a governing instrument which contains mandatory directions conflicting with any of its requirements and the organization has such mandatory directions in its governing instrument, then the organization has not satisfied the requirements of section 508(e) by the passing of that legislation.

Line 8.—In the space provided list all States:

(1) to which the organization reports in any way about its organization, assets, or activities, and

(2) with which the organization has registered (or which it has otherwise notified in any manner) that it intends to be, or is, a charitable organization or that it is, or intends to be, a holder of property devoted to a charitable purpose.

Attach a separate list if you need more space.

Line 10.—Self-dealing.—The activities listed in 10a(1) through (6) are considered self-dealing under section 4941 unless one of the exceptions referred to in Chapter VIII of Publication 578 applies. Also see applicable Revenue Rulings for additional exceptions.

The terms "disqualified person" and "foundation manager" are defined in the General Information section of these Instructions.

Line 11.—Taxes on failure to distribute income.—If you answer "Yes," to question 11b, attach a statement explaining:

(a) all the facts regarding the incorrect valuation of assets, and

(b) the actions taken (or planned) to comply with section 4942(a)(2)(B), (C), and (D) and the related regulations.

Line 12.—Taxes on excess business holdings.—In general, the excess business holdings are the amount of stock or other interest in a business enterprise which the foundation must dispose of to a person other than a disqualified person in order for the foundation's remaining holdings in the enterprise to be permitted holdings. Business holdings do not include program-related investments as defined in section 4944(c) and related regulations.

In general, the combined permitted holdings of a private foundation and all disqualified persons are limited to 20% of the voting power (or beneficial or profits interest, in the case of a trust or a partnership) in any business enterprise.

There are grace periods of 15 or 20 years for certain excess business holdings of the foundation that were held on May 26, 1969. These holdings are considered held by disqualified persons rather than the foundation during the grace period. The 15-year grace period expired on May 25, 1984. This period applied when a private foundation and all disqualified persons together held more than 75% interest, but not more than 95% interest in a business enterprise. The 20-year grace period applies if the combined holdings were more than 95%.

The term "business enterprise," in general, includes the active conduct of a trade or business. It includes any activity carried on to produce income from the sale of goods or the performance of services and that is considered an unrelated trade or business under section 513.

The term "business enterprise" does not include:

(1) A functionally related business, which is defined in section 4942(j)(4); or

(2) A trade or business if at least 95% of its gross income is from passive sources described in sections 512(b)(1), (2), (3), and (5).

Line 12b.—If the 5-year period to dispose of holdings acquired by gift or bequest has expired, and you have a ruling letter from the Commissioner approving a longer period under the provisions of section 4943(c)(7), answer 12b "No."

2% de minimis rule.—A private foundation is not treated as having excess business holdings in any enterprise if, together with related foundations described in item (6) (definition of "disqualified person") of the General Information section of these Instructions, it owns 2% or less of the voting stock and 2% or less in value of all outstanding shares of all classes of stock. A similar exception applies to a beneficial or profits interest in any business enterprise that is a trust or partnership.

For more information about excess business holdings, see Publication 578 and the instructions for Form 4720.

Line 13.—Taxes on investments which jeopardize charitable purposes.—In general, an investment which jeopardizes any of the charitable purposes of a private foundation is one in which a foundation manager did not exercise ordinary business care in making the investment in order to provide for the long and short-term financial needs of the foundation in carrying out its charitable purposes.

For more information on investments which jeopardize charitable purposes, refer to Publication 578 and the regulations under section 4944.

Line 14.—Taxes on taxable expenditures.—(See the regulations under section 4945 for more information regarding special rules and requirements.)

In general, payments made for the activities described on lines 14a(1) through 14a (5) are taxable expenditures.

A grant by a private foundation to a public charity is not a taxable expenditure if the private foundation does not earmark the grant for use for any of the activities described in lines 14a(1) through 14a(5) and there is no oral or written agreement by which the grantor foundation may cause the grantee to engage in any such prohibited activity or to select the recipient to which the grant is given.

Under the Tax Reform Act of 1984, grants made after December 31, 1984, to exempt operating foundations (as defined in section 4940(d)(2)) are no longer subject to

the expenditure responsibility provisions of section 4945. If you made grants to such organizations after that date, this new exception applies to them.

See Chapter VI of Publication 578 for exceptions to taxable expenditures. Also take into account any Revenue Rulings that provide additional exceptions.

Line 15.—Substantial contributors.—If you answered "Yes," attach a schedule listing the names and addresses of all persons who became substantial contributors during the year.

The term "person" includes individuals, trusts, estates, partnerships, associations, corporations, and other exempt organizations.

The term "substantial contributor" to a private foundation means any person whose contributions or bequests during the current tax year and prior tax years total more than $5,000 and are more than 2% of the total contributions and bequests received by the foundation from its creation through the close of its tax year. In the case of a trust, the term "substantial contributor" also means the creator of the trust.

Each contribution or bequest must be valued at fair market value on the date it was received.

Any person who is a substantial contributor on any date will remain a substantial contributor for all later periods, unless the exception that applies to tax years beginning after December 31, 1984, as added by section 507(d)(2), applies.

For purposes of the two preceding paragraphs, the term "substantial contributor" does not include public charities (organizations described in section 509(a)(1), (2), or (3)).

Part VIII—Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees and Contractors

Line 1.—List officers, directors, trustees, etc.— List the names, addresses, and other information requested for the officers, directors, and trustees (or any person who has responsibilities or powers similar to those of officers, directors, or trustees) of the foundation. All such persons must be listed whether or not they receive any compensation from the foundation. Attach a schedule if more space is needed. Include all compensation or other payments made during the foundation's annual accounting period (or during the calendar year ending within such accounting period) to, or on behalf of, the officers, directors, and trustees of the foundation.

Include on line 1 only the amount of the expense account allowance for which the employee did not account. For example, if the employee did not account for any of the allowance, report the entire amount. If the employee gave only partial accounting, report the amount that was not accounted for. Report all reimbursements or advances for personal expenses, whether or not an accounting was made (e.g., reimbursement for meals on a business trip that did not involve overnight travel).

The organization's officers, directors, and trustees should include in their income all payments and allowances made to them or on their behalf unless the payments are specifically excluded by some provision of the Code. For more detailed information regarding the types of income to be reported here, please see **Publication 525,** Taxable and Nontaxable Income.

Line 2.—Compensation of five highest paid employees.—Fill in the information requested for the five employees (if any) who received the greatest amount of annual compensation over $30,000. Do not include employees listed under line 1. Also enter the total number of other employees who received more than $30,000 in annual compensation. See the instructions for line 1 for additional information on includible compensation.

Line 3.— Five highest paid persons for professional services.—Fill in the information requested for the five highest paid independent contractors (if any) whom you paid more than $30,000 for the year to perform personal services of a professional nature for the organization (such as attorneys, accountants, and doctors, whether they performed the services in their individual capacities or as employees of a professional service corporation). Also show the total number of all other independent contractors who received more than $30,000 for the year for performing professional services.

Part IX—Minimum Investment Return

All organizations filing this return must complete Part IX.

Operating foundations described in section 4942(j)(3) must complete Part IX to have the information needed to complete Part XV, line 2 (see Part XV instructions). Operating foundations described in section 4942(j)(5) must complete Part IX to have the information needed to complete Part XV, line 3b. See the Part XV instructions for an explanation of the section 4942(j)(5) requirements.

If you use the endowment alternative test to determine whether the organization qualifies as an operating foundation under section 4942(j)(3), the organization must normally spend at least two-thirds of its minimum investment return directly for the active conduct of its charitable purpose. You must complete Part XV to show that the organization met the operating foundation requirements.

A private foundation that is not an operating foundation must pay out as qualifying distributions its minimum investment return, generally 5% of the total fair market value of its noncharitable assets, subject to further adjustments as explained in the instructions for Part X. The amount of this minimum investment return is figured in Part IX, and is used in Part X to figure the amount that is required to be paid out (the distributable amount).

Include only the assets that are not used or held for use for charitable purposes in figuring the minimum investment return. These are assets that are not actually used or held for use by the organization for a charitable, educational, or other similar function which gives rise to the charitable status of the foundation. Assets held for the production of income or for investment are considered not used directly for charitable functions even though the income from the assets is used for the charitable functions.

Whether an asset is held for the production of income or for investment rather than used or held for use directly by the foundation for charitable purposes is a factual question. For example, an office building used to provide offices for employees engaged in managing endowment funds for the foundation is not considered an asset used for charitable purposes. However, when property is used both for charitable purposes and other purposes, the property is considered used entirely for charitable purposes if 95% or more of its total use is for charitable purposes. If less than 95% of its total use is for charitable purposes, a reasonable allocation must be made between charitable and non-charitable use.

Certain assets are not considered either held for the production of income or for investment. See Chapter VII of Publication 578 for a listing of these kinds of assets.

Line 1a.—Average monthly fair market value of securities.—If market quotations are readily available, a foundation may use any reasonable method to determine the average monthly fair market value of securities such as common and preferred stock, bonds, and mutual fund shares, as long as that method is consistently used. Market quotations are considered readily available if a security is:

(a) Listed on the New York or American stock exchanges or any city or regional exchange in which quotations appear on a daily basis, including foreign securities listed on a recognized foreign national or regional exchange;

(b) Regularly traded in the national or regional over-the-counter market for which published quotations are available; or

(c) Locally traded, for which quotations can readily be obtained from established brokerage firms.

If securities are held in trust for, or on behalf of, a foundation by a bank or other financial institution which values those securities periodically using a computer pricing system, a foundation may use that system to determine the value of the securities. The system must be acceptable to the IRS for Federal estate tax purposes.

You may reduce the fair market value of securities only to the extent that you can establish that the securities could only be liquidated in a reasonable period of time at a price less than the fair market value because of:

(i) The size of the block of the securities;

(ii) The fact that the securities held are securities in a closely held corporation; or

(iii) The fact that the sale of the securities would result in a forced or distress sale.

Any reduction in value allowed under these provisions may not be more than 10% of the fair market value (determined without regard to any reduction in value).

Also see regulations sections 53.4942(a)-2(c)(4)(i)(b), 53.4942(a)-2(c)(4)(iv)(a), and 53.4942(a)-2(c)(4)(i)(c).

Line 1b.—Average of monthly cash balances.—Compute cash balances on a monthly basis by averaging the amount of cash on hand on the first and last days of each month. Include all cash balances including amounts that may be used for

charitable purposes (see line 4 below) or set aside and taken as a qualifying distribution (see Part XIII).

Line 1c.—Fair market value of all other assets.—The fair market value of assets other than securities is determined annually except as described below. The valuation may be made by private foundation employees or by any other person, whether or not that person is a disqualified person in relation to the foundation. If the IRS accepts the valuation, it is valid only for the tax year for which it is made. A new valuation is required for the next tax year.

The fair market value of any real estate, including any improvements, may be determined on a 5-year basis by a written, certified independent appraisal by a qualified person. The person may not be a disqualified person with respect to the private foundation or an employee of the foundation.

Commonly accepted valuation methods must be used in making the appraisal. A valuation based on acceptable methods of valuing property for Federal estate tax purposes will be considered acceptable. An appraisal means a determination of fair market value and should not be construed in a technical sense peculiar to particular property or interests in property, as, for example, mineral interests in real property.

The appraisal must contain a statement at its end that, in the appraiser's opinion, the appraised assets were valued according to valuation principles regularly employed in making appraisals of such property using all reasonable valuation methods. The foundation must keep a copy of the independent appraisal for its records. If a valuation is reasonable, the foundation may use it for the tax year for which the valuation is made and for each of the four following tax years.

Any valuation of real estate by a certified independent appraisal may be replaced during the 5-year period by a subsequent 5-year valuation by a certified independent appraisal or by an annual valuation as described above. The most recent valuation will be used in computing the foundation's minimum investment return.

If the valuation is made according to the above rules, the IRS will continue to accept it during the 5-year period for which it applies even if the actual fair market value of the property changes during the period.

Valuation date.—An asset required to be valued annually may be valued as of any day in the private foundation's tax year, provided the foundation values the asset as of that date in all tax years. However, a valuation of real estate determined on a 5-year basis by a certified, independent appraisal may be made as of any day in the first tax year of the foundation to which the valuation applies.

Assets held for less than a tax year.—To determine the value of an asset held for less than one tax year, divide the number of days the foundation held the asset by the number of days in the tax year. Multiply the result by the fair market value of the asset.

Line 2.—Acquisition indebtedness.—Enter the total acquisition indebtedness that applies to assets included on line 1 above. For details, see Code section 514(c) and regulations section 53.4942(a)-2(c)(1).

Line 4.—Cash deemed held for charitable activities.—Foundations may exclude from the assets used in the minimum investment return computation the reasonable cash balances necessary to cover current administrative expenses and other normal and current disbursements directly connected with the charitable, educational, or other similar activities. The amount of cash that may be excluded generally is deemed to be 1½% of the fair market value of all assets (minus any acquisition indebtedness) as computed in Part IX, line 3. However, if the facts and circumstances indicate that an amount larger than the deemed amount is necessary to pay expenses and disbursements, then you may enter the larger amount instead of 1½% of the fair market value on line 4. If you use a larger amount, attach an explanation.

Line 6.—Applicable percentage.—The applicable percentage for computing the minimum investment return is 5% for all private foundations. Enter 5% of line 5 on line 6.

Short tax periods.—If the foundation's tax period is less than 12 months, determine the applicable percentage by dividing the number of days in the short tax period by 365 (or 366 in a leap year). Multiply the result times the applicable percentage for the calendar year in which the short tax period began. Then multiply the modified percentage by the amount on line 5 and enter the result on line 6.

Part X—Computation of Distributable Amount

If you are claiming status as an operating foundation described in section 4942(j)(3) or (j)(5), you may enter "N/A—operating foundation" in Part X. See Part XV instructions for definitions of these two types of operating foundations.

Section 4942(j)(5) organizations are classified as operating foundations for purposes of section 4942 only, provided they meet the requirements of regulations section 53.4942(b)-1.

The distributable amount for 1985 is the amount that the foundation must distribute by the end of 1986 as qualifying distributions in order to avoid the 15% tax on the undistributed portion.

To figure the distributable amount, subtract:

(1) The amount of income taxes and tax on investment income for 1985 imposed on the foundation from:

(2) The minimum return (from Part IX) the foundation is expected to earn on its investment assets.

In some cases, certain adjustments must be made to the distributable amount to arrive at the net amount to be distributed. Include the adjustments on lines 4a, 4b, and 6.

Line 4a.—Enter the total amount recovered under the provisions of section 4942(f)(2)(C).

Line 4b.—Income distributions from section 4947(a)(2) trusts.—The income portion of distributions from split-interest trusts on amounts placed in trust after May 26, 1969, must be ADDED to the distributable amount, subject to the limitation of regulations section 53.4942(a)-2(b)(2)(iii). Section 4947(a)(2) defines a split-interest trust as a trust which is not exempt from tax under section 501(c)(3), not all of the unexpired interests of which are devoted to charitable, religious, educational, and like purposes, and which has amounts in trust for which a charitable contributions deduction has been allowed.

If the foundation receives distributions of amounts placed in trust both on or before and after May 26, 1969, these distributions must be allocated between those amounts to determine the extent to which the distributions are included in the foundation's distributable amount.

Line 6.—Deduction from distributable amount.—If the foundation was organized before May 27, 1969, and its governing instrument or any other instrument continues to require the accumulation of income after a judicial proceeding to reform the instrument has terminated, then the amount of the income required to be accumulated must be SUBTRACTED from the distributable amount beginning with the first tax year after the tax year in which the judicial proceeding was terminated. (See the instructions for Part VII, line 6.)

Enter the amount from Part X, line 7, in Part XIV, line 1.

Part XI—Limitation on Grant Administrative Expenses

Line 1.—In columns (a), (b), and (c) enter the net value of noncharitable-use assets from each appropriate year. For 1985, enter the amount from Part IX, line 5. For prior years, enter the amount from Part VIII, line 5. In column (d) enter the total of columns (a), (b), and (c).

Line 2.—Multiply the amount in each column on line 1 by .0065 and enter the result in each corresponding column of line 2.

Line 3.—In columns (b) and (c) enter the amount of grant administrative expenses from each of the two prior years. The amounts can be determined by reference to the Expenses section in Part I, column (d) of the 990-PF filed for each year. For tax years 1983 and/or 1984, if you prefer not to determine the actual amount of grant administrative expenses included in Part I, column (d) for such year or years, you may enter on line 3 the amount reported on line 2 of the same column.

Line 4.—In columns (b) and (c) enter the smaller of the amounts reported on lines 2 and 3 of those columns. In column (d) enter the total of columns (b) and (c).

Line 5.—Enter the grant administrative expenses for the year from Part XVII-A, column (b), line 1.

Line 6.—Subtract the amount in column (d), line 4 from the amount in column (d), line 2 and enter the result in column (a).

Line 7.—Subtract the amount on line 6 from the amount on line 5 and enter the result. If this is a positive amount, enter it also in Part XIII, line 5; otherwise, enter "0" in Part XIII, line 5.

Line 8.—Subtract the amount on line 7 from the amount on line 5 and enter the result.

Part XII—Schedule of Grant Administrative Expenses

In this part, each line item shows the grant administrative expense share of the expense item reported in the Operating and Administrative Expenses section of Part I, column (d).

The share of expenses used in Part XII is determined on the bases outlined in the attachment for Part XVII-B, line 1.

Part XIII—Qualifying Distributions

Qualifying distributions are amounts spent or set aside for religious, educational, or similar charitable purposes. The total amount of qualifying distributions for any year is used to reduce the distributable amount for specified years to arrive at the undistributed income (if any) for those years.

Borrowed funds.—If the foundation borrowed money in a tax year beginning before January 1, 1970, or later borrows money under a written commitment binding on December 31, 1969, the foundation may elect to treat any repayments of the loan principal after December 31, 1969, as qualifying distributions at the time of repayment, rather than at the earlier time that the borrowed funds were actually distributed provided that:

(1) The money is used to make expenditures for a charitable or similar purpose; and
(2) Repayment on the loan did not start until a year after 1969.

On these loans, deduct any interest payment from gross income to compute adjusted net income in the year paid.

To make this election, attach a statement to Form 990-PF for the first tax year beginning after 1969 in which a repayment of loan principal is made, and for each tax year after that in which any repayment of loan principal is made. The statement should show:

(1) The lender's name and address;
(2) The amount borrowed;
(3) The specific use of the borrowed funds; and
(4) The private foundation's election to treat repayments of loan principal as qualifying distributions.

Add the total of the repayments during the year to the amount from Part I, column (d), line 26. Enter the total in Part XIII, line 1a.

Line 1a.—Enter the total gifts, contributions, expenses, etc., from Part I, column (d), line 26.

Line 1b.—Enter the total amount spent for program-related investments. A program-related investment is an investment that meets all of the following tests:

(a) Its primary purpose is to accomplish one or more religious, charitable, educational, etc., purposes;
(b) The production of income or the appreciation of property is not a significant purpose of the investment; and
(c) Its purpose is NOT to carry on propaganda, or otherwise influence legislation, or to participate or intervene in any political campaign for any candidate for public office.

See regulations section 53.4944-3 for examples of program-related investments.

Line 2.—Amounts paid to acquire assets.— Enter the amount paid to acquire assets used (or held for use) directly in carrying out charitable purposes.

Line 3.—Amounts set aside.—Amounts set aside may be treated as qualifying distributions only if the private foundation establishes to the satisfaction of the Commissioner that the amount will be paid for the specific project within 60 months from the date of the first set-aside, and meets (a) or (b) below.

(a) The project can better be accomplished by a set-aside than by the immediate payment of funds (suitability test); or
(b) The foundation meets the requirements of section 4942(g)(2)(B)(ii) (cash distribution test).

For a set-aside under alternative (a) you must apply for IRS approval by the end of the tax year in which the amount is set aside. Write to Internal Revenue Service, Assistant Commissioner Employee Plans/Exempt Organizations, OP:E:EO, 1111 Constitution Avenue, NW, Washington, DC 20224.

The application for approval must state:

(1) The nature and purposes of the specific project and the amount of the set-aside for which approval is requested;
(2) The amounts and approximate dates of any planned additions to the set-aside after its initial establishment;
(3) The reasons why the project can be better accomplished by the set-aside than by the immediate payment of funds;
(4) A detailed description of the project, including estimated costs, sources of any future funds expected to be used for completion of the project, and the location or locations (general or specific) of any physical facilities to be acquired or constructed as part of the project; and
(5) A statement of an appropriate foundation manager that the amounts set aside will actually be paid for the specific project within a specified period of time ending within 60 months after the date of the first set-aside; or a statement explaining why the period for paying the amount set aside should be extended (including why the proposed project could not be divided into two or more projects covering periods of no more than 60 months each), and indicating the extension of time requested.

For any set-aside under alternative (b) you must attach a schedule to your annual information return showing how the requirements are met. A schedule is required for the year of the set-aside and for each subsequent year until the set-aside amount has been distributed. See regulations section 53.4942(a)-3(b)(7)(ii) for specific requirements.

Line 6.—Total qualifying distributions.—Enter the amount on this line in Part XIV, line 4.

Line 7.—Reduced tax on investment income under section 4940(e).—If you do not qualify for the 1% tax reduction under section 4940(e), enter -0-.

Line 8.—Amount for calculating future tax reduction.—The amount on this line will be used in determining whether the foundation qualifies for the 4940(e) tax reduction in the succeeding 5 tax years.

Part XIV—Computation of Undistributed Income

If the organization is a private operating foundation for any of the years shown in Part XIV, do not complete those portions of Part XIV that apply to those years. If there are excess qualifying distributions for any tax year, do not carry them over to a year in which the organization is a private operating foundation or to any later year. For example, if a foundation made excess qualifying distributions in 1983 and became a private operating foundation in 1985, the excess qualifying distributions from 1983 could be applied against the distributable amount for 1984 but not to any year after 1984.

The purpose of this part is to enable the foundation to comply with the rules for applying its qualifying distributions for the year 1985. In applying the qualifying distributions there are three basic steps.

1. First, reduce any undistributed income for 1984 to an amount not less than zero.

2. You may use any part or all remaining qualifying distributions for 1985 to satisfy elections. For example, if undistributed income remained for any year before 1984, it could be reduced to zero or, if the foundation wished, the distributions could be treated as distributions out of corpus.

3. If no elections are involved, apply remaining qualifying distributions to the 1985 distributable amount on line 4d. If the remaining qualifying distributions are greater than the 1985 distributable amount, the excess is treated as a distribution out of corpus on line 4e.

If for any reason the 1985 qualifying distributions do not reduce any 1984 undistributed income to zero, the amount not distributed is subject to a 15% tax. If the 1984 income remains undistributed at the end of 1986, it could again be subject to the 15% tax.

Line 1.—Distributable amount.—Enter the distributable amount for 1985 from Part X, line 7.

Line 2.—Undistributed income.—Enter the distributable amount for 1984 and earlier years that remained undistributed at the beginning of the 1985 tax year.

Line 2a.—Enter the amount of undistributed income for 1984 only.

Line 2b.—Enter the amount of undistributed income for years before 1984. Indicate the years in the space provided.

Line 3.—Excess distributions carryover to 1985.—If the foundation has made excess distributions out of corpus in prior years, which have not been applied in any year, enter the amount for each year. Do not enter an amount for a particular year if the organization was a private operating foundation for any later year.

Lines 3a through 3e.—Enter the amount of any excess distribution made next to each year listed. Do not include any amount that was applied against the distributable amount of an earlier year or that was already used to meet pass-through distribution requirements. (See instructions for line 7.)

Line 3f.—Enter the total of lines 3a through 3e. This amount can be applied in 1985.

Line 4.—Qualifying distributions.—Enter the total amount of qualifying distributions made in 1985 from Part XIII, line 6.

Line 4a.—The qualifying distributions for 1985 are first used to reduce any undistributed income remaining from 1984. Enter only enough of the 1985 qualifying distributions to reduce the 1984 undistributed income to zero.

Lines 4b and 4c.—If there are any 1985 qualifying distributions remaining after reducing the 1984 undistributed income to zero and you elected to apply all or part of the remaining amount to the undistributed income remaining from years before 1984, enter the amount on line 4b. If you elected to treat those qualifying distributions as a distribution out of corpus, enter the amount on line 4c.

The election(s) must have been made during the tax year beginning in 1985 by filing a statement with the District Director of Internal Revenue for the key district where the principal place of business or principal office of the foundation is located, or by filing such a statement with this return.

Line 4d.—Treat as a distribution of the distributable amount for 1985 any 1985 qualifying distributions that remain after reducing the 1984 undistributed income to zero and after electing to treat any part of the remaining distributions as a distribution out of corpus or as a distribution of a prior year's undistributed income. Enter only enough of the remaining 1985 qualifying distributions to reduce the 1985 distributable amount to zero.

Line 4e.—Any 1985 qualifying distributions remaining after reducing the 1985 distributable amount to zero should be treated as an excess distribution out of corpus. This amount may be carried over and applied to later years. The total of the amounts applied on lines 4a through 4e is equal to the qualifying distributions made in 1985.

Line 5.—Excess qualifying distributions carryover applied in 1985.—Enter any excess qualifying distributions from line 3 which were applied to 1985 in both the Corpus column and the 1985 column. Apply the oldest excess qualifying distributions first. Thus, apply any excess qualifying distributions carried forward from 1980 before those from later years.

Line 6a.—Add lines 3f, 4c, and 4e. Subtract line 5 from the total. Enter the net total in the Corpus column.

Line 6b.—In the "prior years" column enter the amount by which line 2b is more than line 4b.

Line 6c.—Enter only the undistributed income from 1983 and prior years for which either a notice of deficiency under section 6212(a) has been mailed for the section 4942(a) first tier tax, or on which the first tier tax has been assessed as a result of your filing a Form 4720 for 1984 or an earlier year.

Line 6d.—The amount on this line is subject to the first tier tax under section 4942(a) except for any part that is due solely to misvaluation of assets to which the provisions of section 4942(a)(2) are being applied (see Part VII, line 11). Report the taxable amount on Form 4720 and, if the exception applies, attach an explanation.

Line 6e.—In the 1984 column enter the amount by which line 2a is more than line 4a. This amount is the undistributed income for 1984 and is taxable under the provisions of section 4942(a), except for any part that is due solely to misvaluation of assets to which the provisions of section 4942(a)(2) are being applied. Report the taxable amount on Form 4720. If the exception applies, attach an explanation.

Line 6f.—In the 1985 column enter the amount by which line 1 is more than the total of lines 4d and 5. This is the undistributed income for 1985. You must distribute the amount shown by the end of your 1986 tax year so that the foundation will not be liable for the tax on undistributed income.

Line 7.—Distributions out of corpus for 1985, pass-through distributions.—

(a) If the foundation, as a donee, receives a contribution from another private foundation, the donor foundation may treat the contribution as a qualifying distribution only if the donee foundation makes a distribution equal to the full amount of the contribution and the distribution is a qualifying distribution which is treated as a distribution of corpus. The donee foundation must, not later than the close of the first tax year after the tax year in which it receives the contributions, distribute an amount equal in value to the contributions received in the prior tax year and have no remaining undistributed income for the prior year. For example, if private foundation X received $1,000 in tax year 1984 from foundation Y, foundation X would have to distribute the $1,000 as a qualifying distribution out of corpus by the end of 1985 and have no remaining undistributed income for 1984.

(b) If a private foundation receives a contribution from an individual or a corporation and the individual is seeking the 50% contribution base limit on deductions for the tax year (or the individual or corporation is not applying the limit imposed on deductions for contributions to the foundation of capital gain property), the foundation must comply with certain distribution requirements.

By the 15th day of the third month after the end of the tax year in which the foundation received the contributions, the donee foundation must distribute as qualifying distributions out of corpus:

(i) An amount equal to 100% of ALL contributions received during the year in order for the individual contributor to receive the benefit of the 50% limit on deductions, and

(ii) Distribute ALL contributions of property only so that the individual or corporation making the contribution is not subject to the section 170(e)(1)(b)(ii) limitations.

If you are applying excess distributions from prior years (i.e., any part of the amount in Part XIV, line 3f) to satisfy the distribution requirements of section 170(b)(1)(D) or 4942(g)(3), you must make the election under regulations section 53.4942(a)-3(e). Also see regulations section 1.170A-9(g)(2).

Enter on line 7 the total distributions out of corpus you made to satisfy the restrictions on amounts received from donors described above.

Line 8.—Outdated excess distributions carryover.—Because of the 5-year carryover limitation under regulations sections 53.4942(a)-3(e)(2) and (3), you must reduce any excess distributions carryover by any amounts from 1980 that were not applied in 1985.

Line 9.—Excess distributions carryover to 1986.—Enter on this line the amount by which line 6a is more than the total of lines 7 and 8. This is the amount you may apply to 1986 and following years.

Line 10.—Analysis of line 9.—In the space provided for each year, enter the amount of excess distributions carryover from that year that has not been applied as of the end of the 1985 tax year. If there is an amount on the line for 1981, it must be applied by the end of the 1986 tax year since the 5-year carryover period for 1981 ends in 1986.

Part XV—Private Operating Foundations

All organizations that claim status as private operating foundations under section 4942(j) (3) or (5) for 1985 must complete Part XV.

For purposes of section 4942 only, certain elderly care facilities may be classified as "private operating foundations." To be so classified, they must be operated and maintained for the principal purpose set out in section 4942(j)(5) and in addition meet the endowment test described below. If you are a section 4942(j)(5) organization complete only lines 1a, 1b, 2c, 2d, 2e, and 3b. Enter "N/A" on all other lines in Part XV.

The term "private operating foundation" means any private foundation that spends at least 85% of the lesser of its adjusted net income or its minimum investment return directly for the active conduct of the exempt purpose or functions for which the foundation is organized and operated (the "Income Test") and that also meets one of the three tests below.

(1) Assets test.—65% or more of the foundation's assets are devoted directly to those activities or to functionally related businesses, or to both. Or 65% or more of the foundation's assets are stock of a corporation which is controlled by the foundation and substantially all of the assets of the corporation are devoted to those activities or to functionally related businesses.

(2) Endowment test.—The foundation normally makes qualifying distributions directly for the active conduct of the exempt purpose or functions for which it is organized and operated in an amount that is two-thirds or more of its minimum investment return.

(3) Support test.—The foundation normally receives 85% or more of its support (other than gross investment income under section 509(e)) from the public and from 5 or more exempt organizations which are not described in

section 4946(a)(1)(H) with respect to each other or the recipient foundation. Not more than 25% of the support (other than gross investment income) normally may be received from any one of the exempt organizations and not more than half of the support normally may be received from gross investment income.

See the regulations under section 4942 for the meaning of "directly for the active conduct" of exempt activities for purposes of these tests.

A foundation may meet the income test and either the assets, endowment, or support test by satisfying the tests for any three years during a four-year period consisting of the tax year in question and the three immediately preceding tax years. It may also meet the tests based on the total of all related amounts of income or assets held, received, or distributed during that four-year period. A foundation may not use one method for satisfying the income test and another for satisfying one of the three alternative tests. Thus, if a foundation meets the income test on the three-out-of-four-year basis for a particular tax year, it may not use the four-year aggregation method for meeting one of the three alternative tests for that same year.

In completing line 3c(3) of Part XV under the aggregation method, the largest amount of support from an exempt organization will be based on the total amount received for the four-year period from any one exempt organization.

A new private foundation must use the aggregation method to satisfy the tests for its first tax year in order to be treated as an operating foundation from the beginning of that year. It must continue to use the aggregation method for its second and third tax years in order to maintain its status for those years.

Part XVI—Supplementary Information

Complete this part of the form only if the foundation had assets of $5,000 or more at any time during the year. This part does not apply to a foreign foundation which during its entire period of existence received substantially all of its support (other than gross investment income) from sources outside the United States.

Line 2.—In the space provided (or in an attachment, if necessary), furnish the required information about your grant, scholarship, fellowship, loan, etc., programs. In addition to restrictions or limitations on awards by geographical areas, charitable fields, and kinds of recipients, indicate any specific dollar limitations or other restrictions applicable to each type of award you make. This information is intended to aid grant seekers by directing them to foundations that make grants for which they may be eligible. It is also intended to aid grant-making foundations by minimizing the number of applications that do not meet their grant criteria.

If the foundation only makes contributions to pre-selected charitable organizations and does not accept unsolicited applications for funds, write a statement to this effect in this part.

Line 3.—If necessary, attach a schedule for 3a and 3b that has separate lists of amounts of money given to individuals and to organizations.

Line 3a.—Paid during year.—List all contributions, grants, etc., actually paid during the year, including grants or contributions that are not qualifying distributions under section 4942(g). Include current year payments of set-asides treated as qualifying distributions in the current tax year or any prior year.

Line 3b.—Approved for future payment.—List all contributions, grants, etc., approved during the year but not paid by the end of the year, including the unpaid portion of any current year set-aside.

Part XVII-A—Summary of Grant Programs and Other Activities

Part XVII-A requires foundations to allocate their expenses to the various activities which they conduct. Both direct expenses and indirect expenses must be allocated and reported in Part XVII-A.

Direct expenses are those which can be specifically identified with a particular activity. These include, among others, compensation and travel expenses of employees and officers directly engaged in an activity; the cost of materials and supplies utilized in conducting the activity; and fees paid to outside firms and individuals in connection with a specific activity. Indirect (overhead) expenses are those which are not specifically identifiable with a particular activity but which relate to the direct costs incurred in conducting the activity. Examples of indirect expenses include occupancy expenses; supervisory and clerical compensation; repair, rental and maintenance of equipment; expenses of other departments or cost centers (such as accounting, personnel, and payroll departments or units) that service the department or function that incurs the direct expenses of conducting an activity; and other applicable general and administrative expenses, including the compensation of top management, to the extent reasonably allocable to a particular activity.

No specific method of allocation is required. The method used, however, must be reasonable and must be used consistently. For example, it would generally be reasonable to allocate compensation and related expenses among various activities on the basis of time spent on each, and to allocate rent and other occupancy expenses on the basis of space utilized.

Foundations whose charitable programs consist solely of grant-making activities or solely of nongrant-making activities should refer to the special rules following the instructions for line 5 below.

For 1984, the expense allocations in Part XVII-A may have been estimates based on the records which the foundation normally maintained. For 1985 and later years, however, foundations must maintain records according to sound accounting practices that provide the information needed to allocate expenses on a reasonable and consistent basis. Such records are needed because Form 990-PF now requires a breakdown of the grant administrative expense (reported on line 1, column (b) of Part XVII-A) similar to the itemization of expenses in Part I.

Line 1.—Gifts, contributions, scholarships and other grants.—Except for "significant involvement" grants discussed below, enter in column (a) the total of all gifts, contributions, scholarships, and other grants paid by the foundation during the year (the amount reported on line 25, column (d) of Part I) and the amounts set aside by the foundation in 1985 to fund future gifts, contributions, etc. (included in the total set-asides reported on line 3 of Part XIII). This total should include only gifts, set-asides, etc., that are qualifying distributions as defined in section 4942(g). Any current year payment of a set-aside that was treated as a qualifying distribution in a prior year should not be reported on line 1 or elsewhere in Part XVII-A.

If the foundation awards scholarships, grants or other payments to individuals as a part of an active program in which the foundation maintains some significant involvement, then such scholarships, grants or other payments and related administrative expenses should be reported on line 2 rather than line 1. Examples of active programs and a definition of the term "significant involvement" are contained in regulations section 53.4942(b)-1(b)(2). Additional examples are contained in regulations section 53.4942(b)-1(d). Merely reviewing grant applications, interviewing or testing applicants, selecting grantees and performing other related administrative actions do not constitute a significant involvement in an individual grant program.

In column (b) enter the total amount of the administrative expenses paid in connection with responding to grant seekers, soliciting and reviewing grant applications, and awarding, supervising and monitoring the grants, etc., included in line 1 of column (a). Also include any current year administrative expenses attributable to grants, etc., treated as qualifying distributions in any prior year, such as would arise when a foundation pays a portion of a set-aside made before 1985 or monitors a pre-1985 grant that the grantee had not fully expended or accounted for prior to 1985. Include both expenses which relate directly to the conduct of the grant program (such as the allocable part of the salary of a foundation employee who reviews grant applications and prepares grant agreements) and an allocable share of the foundation's general and administrative (indirect) expenses (such as occupancy expenses, clerical compensation, compensation of top management, etc.).

In column (c) enter the total of columns (a) and (b).

Line 2.—Direct charitable activities.—In determining whether any expenditure is for

the direct active conduct of a charitable activity that should be reported on lines 2a–d, the definitions and special rules of section 4942(j)(3) of the Code and the related regulations (which define a private operating foundation) generally apply. However, except for expenses related to "significant involvement" grants, grant administrative expenses do not constitute expenditures directly for the active conduct of charitable activities for purposes of line 2 even though they are treated as such for purposes of section 4942(j)(3). If a foundation maintains some significant involvement in an individual grant program as described in the instructions for line 1 above, both the grants and the related grant administrative expenses (and qualified set-asides for such purposes included on line 3 of Part XIII) should be reported on line 2 as expenses of a direct charitable activity. Except for program-related investments reportable on line 3, line 2 should also include all qualifying distributions that consist of amounts paid or set aside to acquire assets used in the conduct of the foundation's charitable activities, including its grant, etc., programs whether or not the foundation maintained a significant involvement in such programs. The expenses of operating and maintaining these assets are reportable on lines 1–4, depending upon the activity or activities in which they are used.

Expenditures for direct charitable activities include, among others, amounts paid or set aside to acquire or maintain the operating assets of a museum, library, or historic site or to operate any such facility; to provide goods, shelter, or clothing to indigents or disaster victims if the foundation maintains some significant involvement in the activity rather than merely making grants to the recipients; to conduct educational conferences and seminars; to operate a home for the aged or disabled; to conduct scientific, historic, public policy, or other research with significance beyond the foundation's grant program and which does not constitute a proscribed attempt to influence legislation; to publish and disseminate the results of such research, reports of educational conferences, or similar educational material; to support the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces; to provide technical advice or assistance to a governmental body, a governmental committee or subdivision of either in response to a written request by the governmental body, committee or subdivision; and to conduct performances in the performing arts. See the paragraph below relating to line 2c concerning the providing of direct technical assistance to grantees and others.

List the two major activities that constitute the direct active conduct of a charitable activity on lines 2a and 2b and indicate in column (c) the total of the direct and indirect expenses paid by the foundation in connection with each of them. If you need to combine activities on line 2d, attach a schedule that lists each significant activity included on line 2d and shows the total expenses of each one.

Line 2c is to be used to report the expenses paid in connection with providing direct technical assistance to grantees. Such assistance must have significance beyond the purposes of the grants made to those grantees and must not consist merely of monitoring or advising the grantees in their use of the grant funds. (Report these latter expenses as grant administrative expenses on line 1.) For any expense reported on line 2c the foundation must maintain records documenting the nature and amount of such expense and demonstrating its significance beyond the mere monitoring or supervision of a grant to the organization receiving the technical assistance. Expenses relating to providing technical assistance to other charitable organizations (and individuals constituting a charitable class) that are not grantees should be reported on lines 2a, b, and d. Technical assistance involves the furnishing of expert advice and related assistance regarding, for example, compliance with governmental regulations; reducing operating costs or increasing program accomplishments; fundraising methods; and maintaining complete and accurate financial records.

Line 3.—Program-related investments.—Section 4944(c) of the Code and the regulations under it define a program-related investment as one which is made primarily to accomplish a charitable purpose of the foundation and no substantial purpose of which is to produce investment income or a capital gain from the sale of the investment. Examples of program-related investments include educational loans to individuals and low-interest loans to other section 501(c)(3) organizations.

On lines 3a–c list the three largest program-related investments made, or for which a qualifying set-aside was made, by the foundation in 1985 whether or not the investments were still held by the foundation at the end of the year. Combine all other program-related investments on line 3d and attach a schedule that lists the individual investments or groups of investments in the manner described in the following paragraph. Include only those investments reported on lines 1b and 3 of Part XIII of Form 990-PF for 1985. Do not include any investments or set-asides made in any prior year. Enter the total of the investments in column (a) and the total of the direct and the indirect administrative expenses allocable to the investments on line 3e of column (b). The administrative expenses in column (b) should also include amounts attributable to investments made in prior years and held by the foundation at the beginning of the year.

Investments consisting of loans to individuals (such as educational loans) do not have to be listed separately on lines 3a–d but may be grouped with other program-related investments of the same type. Loans to other section 501(c)(3) organizations and all other types of program-related investments must be listed separately on lines 3a–d or on an attachment.

Line 4.—Other qualifying distributions.—Enter the total of the foundation's other qualifying distributions not reported on lines 1–3. Include on line 4, for example, expenses attributable to soliciting grants or contributions to the foundation; preparing Form 990-PF; publishing the required newspaper notice to inform the public that the return is available for inspection upon request; making the return available for public inspection or providing copies; and publishing an annual report that is available to the public. Operating foundations should also include the section 4940 tax on net investment income (or section 4948 tax on gross investment income in the case of a foreign operating foundation).

Line 5.—Other expenses.—Enter the total of the foundation's other expenses not reported on lines 1–4 but excluding any expenses attributable to net investment income reported in column (b) of Part I. Include on line 5, for example, unrelated trade or business expenses; taxes under section 4942 for failure to distribute income; and taxes under section 4945 for making taxable expenditures. Do not include the section 4940 tax for domestic foundations, or section 4948 tax in the case of foreign foundations. Do not include any expenditure that is a qualifying distribution under section 4942(g).

Special Rules:

(1) **For Certain Small Organizations and Other Foundations Solely Engaged in Grant-Making Activities.** A foundation that accomplishes its charitable purposes solely through a program of making charitable gifts and grants and does not conduct any direct charitable activities or make program-related investments does not need to allocate any of its administrative expenses beyond those already shown in Part I, column (d), of Form 990-PF. Such a grant-making foundation may complete Part XVII-A, line 1, column (a) simply by entering the amount reported on Part I, column (d), line 25, for total contributions; and entering on Part XVII-A, line 1, column (c), the amount from Part I, column (d), line 26, for total expenses and disbursements. The difference in those two amounts is presumed to be the grant-making administrative expenses to be reported in Part XVII-A, line 1, column (b), and no further allocation or reporting on lines 2–4 is required unless the foundation chooses to report separately the amounts reportable on line 4 according to the general instructions. In any event, amounts reportable on line 5 must be so reported.

(2) **For Certain Small Organizations and Other Nongrant-Making Foundations.** Similarly, a simplified reporting procedure is available to foundations that do not make gifts or grants but accomplish their charitable purposes solely by engaging in the direct active conduct of charitable activities or solely by making program-related investments, or by doing both. In such event, the miscellaneous qualifying distributions included in column (d) of Part I which would otherwise be reportable on line 4 of Part XVII-A may be included in the expenses reported on line 2, in column (c) or, in the case of organizations that make program-related investments, on line 3, in columns (b) and (c).

Part XVII-B—Supporting Data

Line 1.—Attach a statement describing the basis or bases used to allocate the direct and indirect expenses reported in Part XVII-A. If different bases were used to allocate different types of expenses, indicate the basis used for each type. Following are examples of explanations that would be adequate: "Compensation is allocated on a time basis. Employee benefits are allocated on the basis of direct salary expenses. The expenses of travel, conferences and meetings are charged directly to the activity which incurred the expense. Occupancy expenses are allocated on a space utilized basis. Other indirect expenses are allocated on the basis of direct salary expenses or total direct expenses."

Line 2.—In the schedule required by line 2, provide the information for the direct charitable activities listed on lines 2a–c of Part XVII-A and for the program-related investments listed on lines 3a–c. You may furnish reasonable estimates for the statistical information (number of individuals or organizations served, etc.) if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Line 3.—In an attached schedule, indicate the amount of income (without reduction for cost of goods sold or any other expenses) produced by the direct charitable activities listed on lines 2a–d of Part XVII-A and by the program-related investments listed on lines 3a–d of Part XVII-A. Also indicate the amount of income produced by program-related investments held at the beginning of the year.

Part XVIII—Public Inspection

See General Instruction H for information about making the foundation's annual return available for public inspection and publishing a notice in a newspaper stating that the return is available for public inspection. All domestic private foundations (including section 4947(a)(1) trusts treated as private foundations) are subject to the public inspection and notice provisions.

Signature.—The return must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return which he or she is required to file for a corporation. If the return is filed for a trust, it must be signed by the authorized trustee or trustees.

If you fill in your own return, the Paid Preparer's space should remain blank. If someone prepares your return and does not charge you, that person should not sign your return.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

The person required to sign your return must complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps and labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with IRS.

Tax return preparers should be familiar with their responsibilities. These are described in **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns.

Supplemental Instructions and Completed Example of Form 990-PF

This part of the instructions provides a set of facts and a filled-in example to help you prepare a complete and accurate Form 990-PF.

The illustrated example was prepared using the following facts:

1. The Oak Foundation, Inc. was created by the Oak Manufacturing Co., Inc., which made an initial gift of $100,000 ($95,000 in cash plus land valued at $5,000) when the foundation was incorporated. Before 1985, Oak Manufacturing Co., Inc. was the only substantial contributor to the foundation. The Oak Manufacturing Co., Inc. did not make a contribution to the foundation in 1985.
2. The foundation was incorporated February 15, 1968, and recognized as an exempt organization described in Code section 501(c)(3) on June 1, 1968, at which time it was issued a determination letter. It was classified as a private non-operating foundation on October 15, 1970.
3. The foundation's investments consisted of $250,000 in certificates of deposit, $67,000 in stocks, and $5,000 basis in land at the beginning of 1985.
4. The foundation purchased office equipment in the amount of $3,000 on June 2, 1981, and is depreciating this equipment on a straight-line depreciation method using an estimated life of 10 years.
5. Total revenue for the year consisted of:

Gift from Miss Carroll Haggerty on 5/17/85	$16,000
Gift from Miss Rachel Patton on 12/7/85	15,000
Other contributions (none substantial)—	10,000
Interest income on certificates of deposit—	15,000
Dividend income on stocks owned—	4,000
Capital gain on sale of land (basis $5,000, selling price $6,000, no settlement costs)	1,000
Total revenue	$61,000

6. The expenses paid by the organization during the year consisted of:

Salary to foundation's Sec.-Treas.—		$ 600
Other salaries and wages		1,000
Accounting services (auditing – $200, preparing Form 990-PF – $80)		280
Taxes (1984 excise tax on investment income)		320
Occupancy expenses		2,200
Other expenses:		
Stationery	$105	
Postage	55	
Annual newspaper notice	20	
Telephone	140	320
		$4,720

Grants made:

Allen Reid Museum of Fine Arts 31 Myers St., Atlanta, Ga. a private operating foundation under 501(c)(3) and defined in 4942(j)(3)	$15,000
Moore-Price Clinic 1111 Jordan Ave., College Park, Ga. a publicly supported hospital under 509(a)(1) and described in 170(b)(1)(A)(iii)	15,000
Ervin Guinn Institute 198 Long Blvd., Stone Mtn., Ga. a publicly supported college under 509(a)(1) and described in 170(b)(1)(A)(ii)	10,000
Blue Circle of America Washington, D.C. a publicly supported charity under 509(a)(1) and defined in 170(b)(1)(A)(vi)	5,000
Grants and contributions paid	$45,000
Total expenses, grants, and contributions paid	$49,720

The foundation purchased 500 shares of Venus Corporation stock from other than a disqualified person for $5,000 during the year. The purchase is not included in the $49,720 of expenses, grants, and contributions paid in the year. Also not included in this total is the $300 of depreciation on office equipment referred to in Item 4 above.

7. On the basis of time devoted to particular activities, 60% of the foundation's expenses were allocated to the exempt purpose and 40% to the production of income. However, no allocation was required for the cost of preparing the Form 990-PF or publishing the annual newspaper notice because these expenses are considered to relate only to the foundation's exempt purpose.
8. The balance in the organization's checking account at the beginning of the tax year was $1,100. The average monthly balance in the account for the year was $3,550. The average monthly fair market value of the foundation's securities—stocks and certificates of deposit—was $322,000.

9. The excise tax on net investment income imposed under section 4940 is the only tax due with this return. No other Chapter 42 taxes apply this year.
10. In 1984 the foundation's qualifying distributions exceeded the distributable amount for that year by $2,100. This amount is available as an excess distributions carryover to 1985.
11. Grant approved for future payment but not distributed in 1985:
    Dr. Clark Eller
    101 Gore Ave., Atlanta, Ga. 30311
    $2,000 for post-doctoral studies in physics at Georgia Tech.

    The foundation previously applied for and received advance approval of its grant-making procedures under the procedures set forth in regulations section 53.4945-4(d).
12. A grant of $15,000 was made to the Allen Reid Museum of Fine Arts to cover part of the costs of renovation and expansion of the museum facilities. The grant was made according to established requirements for expenditure responsibility under section 4945(h).
13. The foundation obtained a certified written appraisal of the land which established its value at $5,300 as of December 31, 1969.
14. The foundation is on the cash receipts and disbursements method of accounting and uses the calendar year.

Part I—Analysis of Support, Revenue, and Expenses

Line 1, column (a).—We have entered the gross amount of contributions, gifts, grants, etc., received during the tax year.

Line 3, columns (a) and (b).—We have entered the interest income received during the tax year.

Line 4, columns (a) and (b).—We have entered the dividend income received during the tax year.

Line 6, column (a).—We have entered the gain as reflected in the books on the sale of investment property sold in 1985.

Line 7, column (b).—We have entered the capital gain figure from Part IV, line 2. The basis for computing the gain in this case is the fair market value on December 31, 1969, since that figure is greater than book value.

Line 12, columns (a) and (b).— We have entered the totals of lines 1 through 11.

Line 13, column (a).—We have entered compensation of officers. Note columns (b), and (d) reflect the 60% and 40% allocation of expenses that apply to the exempt purpose function and production of income respectively.

Line 14, column (a).—We have entered other salaries and wages and applied the above-mentioned allocation to the remaining columns.

Line 16, columns (a), (b), and (d) .—We have entered the total accounting expenses in column (a), and made an allocation in columns (b) and (d). The allocation for this line is based on $200 of allocable expenses and $80 of nonallocable expenses. Column (b) is 40% of the $200 allocable expenses. Column (d) is 60% of the $200 plus $80 (which is not allocable) for preparing Form 990-PF.

Line 18, column (a).—We have entered the amount of excise tax on investment income paid with the 990-PF filed for 1984. This is not an allocable expense between the exempt purpose function and the production of income.

Line 19, columns (a) and (b).—We have entered the amount allowable as a deduction for depreciation of office equipment, $3,000 x 10% (10-year life) equals $300. Column (b) reflects the allocation for the production of investment income.

Line 20, column (a).—We have entered the expense for office rental. The remaining columns reflect the allocation between the exempt function and the production of income.

Line 23, columns (a), (b), and (d).—We have entered the total other expenses in column (a). Columns (b) and (d) are allocated as follows. Column (b) is 40% of the $300 in allocable expenses. Column (d) is 60% of the $300 allocable expenses plus $20 nonallocable expense for printing the annual newspaper notice.

Line 24, column (a).—We have entered the total of lines 13 through 23 for each column. The remaining columns represent the allocation of the operating and administrative expenses for the year between the exempt function and the production of income.

Line 25, columns (a) and (d).—We have entered the total contributions, gifts, and grants paid out in both columns. This disbursement is for the exempt purpose of the foundation and no allocation is required.

Line 26, column (a).—We have entered the total of operating and administrative expenses and contributions, etc. for the year. The necessary allocations are shown in the remaining columns.

Line 27a, column (a).—We have entered the excess of revenue over expenses (line 12 less line 26, column (a)).

Line 27b.—We have entered the net investment income (line 12 less line 26, column (b)).

Line 27c.—We have entered "N/A" since this column does not apply.

Part II—Balance Sheets

We have prepared balance sheets which correctly reflect the organization's assets, liabilities, and net worth at the beginning of the tax year and at the end of the tax year. The end of year fair market value of all assets is shown as well.

Part III—Analysis of Changes in Net Worth

This section is used to show the increase in net worth of the foundation in the amount of $10,980 as shown in Part I, line 27a.

Part IV—Capital Gains and Losses for Tax on Investment Income

We have entered the long-term capital gain from the sale of an unimproved lot to a corporation that is not a disqualified person.

Part VI—Excise Tax on Investment Income

Line 1.—We have entered the excise tax on investment income (1% of the net investment income shown on line 27b of Part I). This amount is then brought down to lines 3 and 5. This is the amount of tax due on line 7 that must be paid in full when the return is filed.

Part VII—Statements Regarding Activities

Every statement in this section should be answered Yes, No, or N/A (not applicable). In addition, statement 8a should list all the States which require a report from your organization. We have attached a list for line 15 giving the names and addresses of the two persons who became substantial contributors in 1985.

Part VIII—Information Regarding Officers, etc.

Line 1.—We have listed the names and other pertinent data for the foundation's officers, including the compensation of the secretary-treasurer for 1985.

Lines 2 and 3 do not apply so we have entered "N/A."

Part IX—Minimum Investment Return

We have computed the minimum investment return for 1985 using the information provided.

Part X—Computation of Distributable Amount

This section provides the computation for the distributable amount for 1985. The distributable amount in this sample is the minimum investment return minus the tax on net investment income for 1985.

Part XI—Limitation on Grant Administrative Expenses

Line 1.—In columns (a),(b),and (c) we have entered the net value of noncharitable-use assets for each year. In column (d) we have entered the total of the other 3 columns.

Line 2.—We have multiplied the amount in each column by .0065 and entered the results.

Line 3.—We have entered the amounts determined from the 1984 and 1983 returns in columns (b) and (c) respectively.

Line 4.—We have entered in columns (b) and (c) the smaller of the amounts in these columns from lines 2 and 3. Column (d) is the total of columns (b) and (c).

Line 5.—The grant administrative expenses do not include the $20 for publishing the newspaper notice, and the $80 for preparation of Form 990-PF, both of which are included in Part I, line 16b, column (d), and are shown in Part XVII-A, line 4.

Line 6.—We have computed the maximum amount of grant administrative expenses allowed by subtracting line 4, column (d), from line 2, column (d).

Line 7.—We have determined the excess grant administrative expenses for the year and have entered the amount.

Line 8.—We determined the grant administrative expenses treated as qualifying distributions for the year and entered the amount.

Part XII—Schedule of Grant Administrative Expenses

Lines 1-13.—On each line that applies we have determined the grant administrative expenses allocable and entered the respective amounts. Line 13 is the total of these.

Part XIII—Qualifying Distributions

Line 1a.—The amount from line 26, column (d), Part I, is entered here. Since there are no additions from lines 1b, 2 or 3, the amount is carried to line 4.

Line 5.—The excess grant administrative expenses from line 7, Part XI, have been entered.

Line 6.—Line 5 is subtracted from line 4 and the difference entered.

Line 7.—Since this foundation qualifies for the section 4940(e) reduction in tax, we have entered "179."

Line 8.—The amount from line 6 is carried to this line.

Part XIV—Computation of Undistributed Income

Line 3e.—We have entered the excess distributions carryover from 1984.

Line 4.—We have entered the qualifying distributions for 1985 from Part XIII, line 6.

Line 4d.—We have entered the amount applied to the 1985 distributable amount.

Line 4e.—We have entered the remaining amount distributed out of corpus. The amount shown is the memo entry for line 4 minus the amount in line 4d.

Line 5.—We have entered "0" since there is no excess distributions carryover applied to 1985.

Line 6.—We have entered the net total of line 6a and zeroes for the rest of line 6.

Line 7.—We have entered "0" since there were no distributions applicable under these Code sections.

Line 8.—We have entered "0" since there was no excess distributions carryover from 1980.

Line 9.—We have entered the excess distributions carried forward.

Lines 10d and 10e.—We have entered the excess distributions from 1984 and 1985 as an analysis of line 9.

Part XV—Private Operating Foundations

We have entered N/A (not applicable) in this section since the information required here applies to private operating foundations. The foundation used in this sample was classified as a private non-operating foundation.

Part XVI—Supplementary Information

Lines 1a and 1b.—These lines do not apply.

Line 2.—We have included the information required.

Line 3a.—We have listed the names, addresses, purposes, and amounts of all contributions and grants paid out during the tax year.

Line 3b.—This line contains information on the one grant approved for future payment.

Part XVII-A—Summary of Grant Programs and Other Activities

Line 1.—In column (a) we have entered the total of gifts, contributions, grants, etc., made in the year. In column (b) we have entered the share of administrative expenses allocated to making these gifts, etc., for the year. Column (c) is the total of columns (a) and (b).

Line 2.—Since there were no disbursements in this category, we have entered "0" in the total line.

Line 3.—Since there were no disbursements in this category, we have entered "0" in the total line.

Line 4.—We have entered the amount paid for preparation of Form 990-PF and for publishing the annual notice of availability of Form 990-PF in a local newspaper.

Line 5.—We have entered the amount allocable for depreciation on office furniture and fixtures for the year.

Part XVII-B—Supporting Data

Line 1.—We have provided the required information in the attachments to the sample return.

Lines 2 and 3.—Since these two lines did not apply, we entered "N/A" for each.

Part XVIII—Public Inspection

Information on the publication of the required notice in a newspaper is shown here.

A copy of the public notice from the newspaper is shown as an attachment to the return.

We made certain that the return was signed and dated in the appropriate space on the bottom of page 10.

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as a Private Foundation

Note: *You may be able to use a copy of this return to satisfy State reporting requirements.*

OMB No. 1545-0052

1985

For the calendar year 1985, or tax year beginning , 1985, and ending , 19

Please type, print, or attach label. See Specific Instructions.

Name of organization: The Oak Foundation, Inc.

Employer identification number: 58 1234567

Address (number and street): 133 Winchester Dr.

State registration number (see instructions):

City or town, state, and ZIP code: Atlanta, GA 30320

Fair market value of assets at end of year: 337,130

If application pending, check here ▶ ☐ Foreign organizations, check here ▶ . . . . ☐ Please attach check or money order here.

Check type of organization

☒ Exempt private foundation ☐ 4947(a)(1) trust ☐ Other taxable private foundation

Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here and see General Instructions. ▶ ☐

If the foundation is in a 60-month termination under section 507(b)(1)(B), check here . . . ▶ ☐

The books are in care of ▶ Ernest Amos Herbert

Located at ▶ 133 Winchester Dr., Atlanta, GA Telephone no. ▶ (404) 423-4567

Check this box if your private foundation status terminated under section 507(b)(1)(A) . . . . ▶ ☐

Part I Analysis of Support, Revenue, and Expenses (See instructions for Part I)

		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purpose
Support and Revenue	1 Contributions, gifts, grants, etc. received (attach schedule)	41,000			
	2 Contributions from split-interest trusts		-0-		
	3 Interest on savings and temporary cash investments	15,000	15,000	N/A	
	4 Dividends and interest from securities	4,000	4,000		
	5a Gross rents	-0-	-0-		
	b (Net rental income (loss))				
	6 Net gain or (loss) from sale of assets not on line 10	1,000			
	7 Capital gain net income		700		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales minus returns and allowances				
	b Minus: Cost of goods sold (attach schedule)				
	c Gross profit (loss)	-0-			
	11 Other income (attach schedule)	-0-	-0-		
	12 Total (add lines 1 through 11)	61,000	19,700		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc	600	240		360
	14 Other employee salaries and wages	1,000	400		600
	15 Pension plans, employee benefits	-0-	-0-		-0-
	16a Legal fees				
	b Accounting fees	280	80		200
	c Other professional fees				
	17 Interest	-0-	-0-		-0-
	18 Taxes (attach schedule)	320	-0-		-0-
	19 Depreciation and depletion	300	120		
	20 Occupancy	2,200	880		1,320
	21 Travel, conferences, and meetings	-0-	-0-		-0-
	22 Printing and publications	-0-	-0-		-0-
	23 Other expenses (attach schedule)	320	120		200
	24 Total operating and administrative expenses (add lines 13 through 23)	5,020	1,840		2,680
	25 Contributions, gifts, grants paid	45,000			45,000
	26 Total expenses and disbursements (add lines 24 and 25)	50,020	1,840		47,680
	27a Excess of revenue over expenses and disbursements (line 12 minus line 26)	10,980			
	b Net investment income (if negative enter -0-)		17,860		
	c Adjusted net income (if negative enter -0-)			N/A	

SAMPLE

Part II Balance Sheets Attached schedules should be for end of year amounts only. (See instructions for col. (c).)

		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest bearing	1,100	12,380	12,380
	2 Savings and temporary cash investments	250,000	250,000	250,000
	3 Accounts receivable ▶			
	minus allowance for doubtful accounts ▶	-0-	-0-	-0-
	4 Pledges receivable ▶			
	minus allowance for doubtful accounts ▶	-0-	-0-	-0-
	5 Grants receivable	-0-	-0-	-0-
	6 Receivables due from officers, directors, trustees, and other disqualified persons (see instructions)	-0-	-0-	-0-
	7 Other notes and loans receivable ▶			
	minus allowance for doubtful accounts ▶	-0-	-0-	-0-
	8 Inventories for sale or use	-0-	-0-	-0-
	9 Prepaid expenses and deferred charges	-0-	-0-	-0-
	10 Investments—securities (attach schedule)	67,000	72,000	73,100
	11 Investments—land, buildings, and equipment: basis ▶			
	minus accumulated depreciation (attach schedule) ▶	5,000	-0-	-0-
	12 Investments—mortgage loans	-0-	-0-	-0-
	13 Investments—other (attach schedule)	-0-	-0-	-0-
	14 Land, buildings, and equipment: basis ▶ 3,000			
	minus accumulated depreciation (attach schedule) ▶ 1,350	1,950	1,650	1,650
	15 Other assets (Describe ▶)	-0-	-0-	-0-
	16 Total assets (see instructions)	325,050	336,030	337,130
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Support and revenue designated for future periods (attach schedule)			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (Describe ▶)			
	23 Total liabilities (add lines 17 through 22)	-0-	-0-	
Fund Balances or Net Worth	**Organizations that use fund accounting, check here ▶ ☐ and complete lines 24 through 27 and lines 31 and 32.**			
	24a Current unrestricted fund			
	b Current restricted fund			
	25 Land, buildings, and equipment fund			
	26 Endowment fund			
	27 Other funds (Describe ▶)			
	Organizations not using fund accounting, check here ▶ ☒ and complete lines 28-32.			
	28 Capital stock or trust principal	325,050	336,030	
	29 Paid-in or capital surplus	-0-	-0-	
	30 Retained earnings or accumulated income	-0-	-0-	
	31 Total fund balances or net worth (see instructions)	325,050	336,030	
	32 Total liabilities and fund balances/net worth (see instructions)	325,050	336,030	

SAMPLE

Part III Analysis of Changes in Net Worth or Fund Balances

1	Total net worth or fund balances at beginning of year—Part II, column (a), line 31	325,050
2	Enter amount from Part I, line 27a	10,980
3	Other increases not included in line 2 (itemize) ▶	-0-
4	Add lines 1, 2, and 3	336,030
5	Decreases not included in line 2 (itemize) ▶	-0-
6	Total net worth or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 31	336,030

Part IV Capital Gains and Losses for Tax on Investment Income

(a) Kind of property. Indicate security, real estate, or other (specify)	(b) Description (examples: 100 sh. of "Z" Co., 2 story brick, etc.)	(c) How acquired P—Purchase D—Donation	(d) Date acquired (mo., day, yr.)	(e) Date sold (mo., day, yr.)
1 Real estate	Unimproved lot	D	2/15/68	3/18/85

(f) Gross sales price minus expense of sale	(g) Depreciation allowed (or allowable)	(h) Cost or other basis	(i) Gain or (loss) (f) plus (g) minus (h)
6,000	-0-	5,000	1,000

Complete only for assets showing gain in column (i) and owned by the foundation on 12/31/69			
(j) F.M.V. as of 12/31/69	(k) Adjusted basis as of 12/31/69	(l) Excess of col. (j) over col. (k), if any	(m) Losses (from col. (i)) Gains (excess of col. (i) gain over col. (l), but not less than zero)
5,300	5,000	300	700

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If loss, enter -0- in Part I, line 7 } . . . 700

3 Net short-term capital gain (loss) as defined in section 1222(5) and (6):
If gain, also enter in Part I, line 8 (see instructions for line 3) . . . . . -0-
If loss, enter -0- in Part I, line 8 . . . . . .

SAMPLE

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave Part V blank.

Were you liable for section 4942 tax on the distributable amount of any year in the base period? . . . . . ☐ Yes ☒ No

If "Yes," you do not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.

(a) Base period years Calendar year (or fiscal year beginning in)	(b) Qualifying distributions	(c) Net value of noncharitable-use assets	(d) Payout ratio (column (b) divided by column (c))
1984	17,600	318,200	.0553111
1983	15,700	320,100	.0490471
1982	15,800	315,400	.0500951
1981	16,300	308,600	.0528191
1980	15,500	310,200	.0499677

2 Total of line 1, col. (d)	.2572401
3 Average payout ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	.0514480
4 Enter the net value of noncharitable-use assets for 1985 from line 5, Part IX	322,361
5 Multiply line 4 by line 3	16,585
6 Enter 1% of line 27b, Part I	179
7 Add lines 5 and 6	16,764
8 Enter the amount from line 6, Part XIII	47,223

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see instructions)

1 a	Exempt operating foundations described in section 4940(d)(2) check here ☐ (attach copy of ruling letter), and enter "N/A".	
b	Domestic organizations meeting the requirements of section 4940(e) check here [x] (complete Part V), and enter 1% of line 27b, Part I.	
c	All other domestic organizations enter 2% of line 27b. Exempt foreign organizations enter 4% of line 27b	179
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	-0-
3	Add lines 1 and 2	179
4	Tax under subtitle A (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	-0-
5	Tax on investment income (line 3 minus line 4 (but not less than -0-))	179
6	**Credits:** a Exempt foreign organizations—tax withheld at source	-0-
	b Tax paid with application for extension of time to file (Form 2758)	
7	Tax due (line 5 minus line 6) { Pay in full with return. Make check or money order payable to Internal Revenue Service. (Write employer identification number on check or money order.) } ▶	179
8	Overpayment (line 6 minus line 5)	

Part VII Statements Regarding Activities

File Form 4720 if you answer "No" to question 10b, 11b, or 14b or "Yes" to question 10c, 12b, 13a, or 13b unless an exception applies.

		Yes	No
1 a	During the tax year, did you attempt to influence any national, State, or local legislation or did you participate or intervene in any political campaign?		x
b	Did you spend more than $100 during the year (either directly or indirectly) for political purposes (see instructions for definition)?		x
	If you answered "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.		
c	Did you file Form 1120-POL?		x
2	Have you engaged in any activities that have not previously been reported to the Internal Revenue Service?		x
	If "Yes," attach a detailed description of the activities.		
3	Have you made any changes, not previously reported to the IRS, in your governing instrument, articles of incorporation, or bylaws, or other similar instruments?		x
	If "Yes," attach a conformed copy of the changes.		
4 a	Did you have unrelated business gross income of $1,000 or more during the year?		x
b	If "Yes," have you filed a tax return on Form 990-T for this year?	N/A	
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year?		x
	If "Yes," attach the schedule required by General Instruction I.		
6	Are the section 508(e) requirements satisfied either:		
	• by language written into the governing instrument, or		
	• by State legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the State law remain in the governing instrument?	x	
7	Did you have at least $5,000 in assets at any time during the year?	x	
	If "Yes," complete Part II, column (c) and Part XVI.		
8 a	Enter States to which the foundation reports or with which it is registered (see instructions) ▶ Georgia		
b	If you answered 7 "Yes," have you furnished a copy of Form 990-PF to the Attorney General (or his or her designate) of each State as required by General Instruction K.1?	x	
	If "No," attach explanation.		
9	Are you claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 1985 or fiscal year beginning in 1985 (see instructions for Part XV)?		x
	If "Yes," complete Part XV.		
10	Self-dealing (section 4941):		
a	During the year did you (either directly or indirectly):		
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?		x
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?		x
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?		x
	(4) Pay compensation to or pay or reimburse the expenses of a disqualified person?	x	
	(5) Transfer any of your income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?		x
	(6) Agree to pay money or property to a government official? (Exception: check "No" if you agreed to make a grant to or to employ the official for a period after he or she terminates government service if he or she is terminating within 90 days.)		x

SAMPLE

Part VII Statements Regarding Activities (continued)

	Yes	No
b If you answered "Yes" to any of the questions 10a(1) through (6), were the acts you engaged in excepted acts as described in regulations section 53.4941(d)-3 and 4?	X	
c Did you engage in a prior year in any of the acts described in 10a, other than excepted acts, that were acts of self-dealing that were not corrected by the first day of your tax year beginning in 1985?		X
11 Taxes on failure to distribute income (section 4942) (does not apply for years you were a private operating foundation as defined in section 4942(j)(3) or 4942(j)(5)):		
a Did you at the end of tax year 1985 have any undistributed income (lines 6d and e, Part XIV) for tax year(s) beginning before 1985?		X
If "Yes," list the years ▶ _____, _____, _____, _____.		
b If "Yes" to 11a, are you applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the undistributed income for ALL such years?	N/A	
c If the provisions of section 4942(a)(2) are being applied to ANY of the years listed in 11a, list the years here and see the instructions ▶ _____, _____, _____, _____.		
12 Taxes on excess business holdings (section 4943):		
a Did you hold more than 2% direct or indirect interest in any business enterprise at any time during the year?		X
b If "Yes," did you have excess business holdings in 1985 as a result of any purchase by you or disqualified persons after May 26, 1969; after the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; after the lapse of the 10-year first phase holding period; or after the 15-year first phase holding period?	N/A	
Note: *You may use Schedule C, Form 4720, to determine if you had excess business holdings in 1985.*		
13 Taxes on investments that jeopardize charitable purposes (section 4944):		
a Did you invest during the year any amount in a manner that would jeopardize the carrying out of your charitable purposes?		X
b Did you make any investment in a prior year (but after December 31, 1969) that could jeopardize your charitable purpose that you had not removed from jeopardy on the first day of your tax year beginning in 1985?		X
14 Taxes on taxable expenditures (section 4945):		
a During the year did you pay or incur any amount to:		
(1) Carry on propaganda, or otherwise attempt to influence legislation by attempting to affect the opinion of the general public or any segment thereof, or by communicating with any member or employee of a legislative body, or by communicating with any other government official or employee who may participate in the formulation of legislation?		X
(2) Influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive?		X
(3) Provide a grant to an individual for travel, study, or other similar purposes?	X	
(4) Provide a grant to an organization, other than a charitable, etc., organization described in section *509(a)(1), (2), or (3)*, or after December 31, 1984, section 4940 (d)(2)?	X	
(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?		X
b If you answered "Yes" to any of questions 14a(1) through 14a(5), were all such transactions excepted transactions as described in regulations section 53.4945?	X	
c If you answered "Yes" to question 14a(4), do you claim exemption from the tax because you maintained expenditure responsibility for the grant?	X	
If "Yes," attach the statement required.		
15 Did any persons become substantial contributors during the tax year?	X	
If "Yes," attach a schedule listing their names and addresses.		
16 During this tax year did you maintain any part of your accounting/tax records on a computerized system?		X

SAMPLE

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees and Contractors

1 List all officers, directors, trustees, foundation managers and, if paid, their compensation for 1985 (see instructions):

Name and address	Title, and average hours per week devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation
J. Rollins Phillips 9432 Herschel Ave., Atlanta, GA 30329	President 4 hrs. per wk	-0-	-0-	-0-
Hayden Dillon Dunn 9900 Shular Rd., Atlanta, GA 30324	V. President 3 hrs. per wk	-0-	-0-	-0-
Ernest Amos Herbert 1241 Hutton Dr., Decatur, GA 30034	Sec.-Treas. 8 hrs. per wk	-0-	-0-	600
Total ▶				600

Part VIII Information About Officers, Directors, Trustees, etc. (continued)

2 Compensation of five highest paid employees for 1985 (other than included in line 1—see instructions):

Name and address of employees paid more than $30,000	Title and time devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation
				N/A
Total number of other employees paid over $30,000 ▶				

3 Five highest paid persons for professional services for 1985 (see instructions):

Name and address of persons paid more than $30,000	Type of service	Compensation
		N/A
Total number of others receiving over $30,000 for professional services ▶		

SAMPLE

Part IX Minimum Investment Return

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:	
a	Average monthly fair market value of securities	322,000
b	Average of monthly cash balances	3,550
c	Fair market value of all other assets (see instructions)	1,720
d	Total (add lines a, b, and c)	327,270
2	Acquisition indebtedness applicable to line 1 assets	-0-
3	Line 1d minus line 2	327,270
4	Cash deemed held for charitable activities—enter 1½% of line 3 (for greater amount, see instructions)	4,909
5	Line 3 minus line 4	322,361
6	Enter 5% of line 5	16,118

Part X Computation of Distributable Amount (see instructions)

1	Minimum investment return from Part IX, line 6		16,118
2	Total of:		
a	Tax on investment income for 1985 from Part VI, line 5	179	
b	Income tax under subtitle A, for 1985		179
3	Distributable amount before adjustments (line 1 minus line 2)		15,939
4	Additions to distributable amount:		
a	Recoveries of amounts treated as qualiifying distributions	-0-	
b	Income distributions from section 4947(a)(2) trusts	-0-	-0-
5	Line 3 plus line 4		15,939
6	Deduction from distributable amount (see instructions)		-0-
7	Distributable amount as adjusted (line 5 minus line 6) (Also enter in Part XIV, line 1)		15,939

Part XI Limitation on Grant Administrative Expenses

Calendar year (or fiscal year) beginning in:	(a) 1985	(b) 1984	(c) 1983	(d) Total
1 Net value of noncharitable-use assets (see instructions)	322,361	318,200	320,100	960,661
2 Multiply line 1 by .0065	2,095	2,068	2,081	6,244
3 Grant administrative expenses treated as qualifying distributions in the two preceding years		2,040	2,470	
4 Enter the smaller of line 2 or line 3 in columns (b) and (c). In column (d) enter the total of columns (b) and (c)		2,040	2,081	4,121
5 Grant administrative expenses for 1985 (from Part XII, line 13)	2,580			
6 Maximum amount of 1985 grant administrative expenses that may be treated as qualifying distributions (line 2, column (d) minus line 4, column (d))	2,123			
7 Excess grant administrative expenses for 1985 (line 5 minus line 6; if negative, enter -0-; enter result on line 5, Part XIII)	457			
8 Grant administrative expenses treated as qualifying distributions in 1985 (line 5 minus line 7)	2,123			

Note: *The amount on line 8 will be used in completing the schedule for 1986 and 1987.*

Part XII Schedule of Grant Administative Expenses (see instructions before making any entries)

SAMPLE

1 Compensation of officers, directors, trustees, etc.	360
2 Other employee salaries and wages	600
3 Pension plans, employee benefits	
4 Legal fees	
5 Accounting fees	100
6 Other professional fees	
7 Interest	
8 Taxes	
9 Occupancy	1,320
10 Travel, conferences, and meetings	
11 Printing and publications	
12 Other expenses	200
13 Total	2,580

Part XIII Qualifying Distributions (see instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:	
a Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	47,680
b Program-related investments	
2 Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	
3 Amounts set aside for specific charitable projects that satisfy the:	
a Suitability test (prior IRS approval required)	
b Cash distribution test (attach the required schedule)	
4 Total (add 1, 2, and 3)	47,680
5 Enter excess grant administrative expenses from line 7, Part XI	457
6 Total qualifying distributions (line 4 minus line 5). Enter this amount on line 4, Part XIV	47,223
7 Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income — enter 1% of line 27b, Part I (see instructions)	179
8 Qualifying distributions (line 6 minus line 7)	47,044

Note: *The amount on line 8 will be used in Part V, column (b) when calculating the section 4940(e) reduction of tax in subsequent years.*

Part XIV Computation of Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 1984	(c) 1984	(d) 1985
1 Distributable amount for 1985 from Part X				15,939
2 Undistributed income, if any, as of the end of 1984:				
a Enter amount for 1984			-0-	
b Total for prior years: ____, ____, ____		-0-		
3 Excess distributions carryover, if any, to 1985:				
a From 1980				
b From 1981				
c From 1982				
d From 1983				
e From 1984 2,100				
f Total of 3a through e	2,100			
4 Qualifying distributions for 1985: 47,223				
a Applied to 1984, but not more than line 2a			-0-	
b Applied to undistributed income of prior years (Election required)		-0-		
c Treated as distributions out of corpus (Election required)	-0-			
d Applied to 1985 distributable amount				15,939
e Remaining amount distributed out of corpus	31,284			
5 Excess distributions carryover applied to 1985 (If an amount appears in column (d), the same amount must be shown in column (a))	0			-0-
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	33,384			
b Prior years' undistributed income. Line 2b minus line 4b		-0-		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		-0-		
d Subtract line 6c from line 6b. Taxable amount— see instructions		-0-		
e Undistributed income for 1984. Line 2a minus line 4a. Taxable amount—see instructions			-0-	
f Undistributed income for 1985. Line 1 minus lines 4d and 5. This amount must be distributed in 1986				-0-
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(D) or 4942(g)(3) (see instructions)	-0-			
8 Excess distributions carryover from 1980 not applied on line 5 or line 7 (see instructions)	-0-			
9 Excess distributions carryover to 1986. (Line 6a minus lines 7 and 8)	33,384			
10 Analysis of line 9:				
a Excess from 1981				
b Excess from 1982				
c Excess from 1983				
d Excess from 1984 2,100				
e Excess from 1985 31,284				

SAMPLE

Part XV Private Operating Foundations (See instructions and Part VII, question 9)

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 1985, enter the date of the ruling . . . . ▶ N/A

b Check box to indicate whether you are a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5).

	Tax year (a) 1985	Prior 3 Years (b) 1984	(c) 1983	(d) 1982	(e) Total
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part IX for 1985 (Part VIII for prior years)					
b 85% of line 2a					
c Qualifying distributions from Part XIII, line 6, for 1985 (Part X, line 4, for prior years)					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt purposes (line 2c minus line 2d)					
3 Complete the alternative test in 3a, b, or c on which you rely:					
a "Assets" alternative test—enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—Enter ⅔ of minimum investment return shown in Part IX, line 6, for 1985 (enter ⅔ of comparable amount (Part VIII, line 6) for prior years)					
c "Support" alternative test—enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

SAMPLE

Part XVI Supplementary Information (see instructions)

1 Information Regarding Foundation Managers

a List here any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

None

b List here any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

None

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs

If you make gifts, grants, awards (see instructions), etc., to individuals or organizations, check here ☒ and complete these items:

a The name, address, and telephone number of the person to whom applications should be addressed

E.A. Herbert, The Oak Foundation, Inc., 133 Winchester Dr., Atlanta, GA 30320
Telephone (404) 423-4567

b The form in which applications should be submitted and information and materials they should include

See attachment.

c Any submission deadlines

Applications are accepted at any time. Notice of approval, rejection, or requests for additional information usually sent in 2 months.

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

See attachment.

Part XVI Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during year*				
Moore-Price Clinic College Park, GA	N/A	Public	To buy equipment	15,000
Allen Reid Museum of Fine Arts Atlanta, GA	N/A	Pvt. Op. Fdn.	Renovating museum	15,000
Ervin Guinn Institute Stone Mtn., GA	N/A	Public	To buy library materials	10,000
American Frontier Scouts Chicago, IL	N/A	Public	To build campground	5,000
Total ▶				45,000
b *Approved for future payment*				
Dr. Clark Eller 101 Gore Ave., Atlanta, GA 30311	None	N/A	For post-doctoral studies	2,000
Total ▶				2,000

Part XVII-A Summary of Grant Programs and Other Activities		(a) Grants and program-related investments	(b) Administrative expenses	(c) Total
1	Gifts, contributions, scholarships and other grants	45,000	2,580	47,580
2	Direct charitable activities (describe each):			
a				
b				
c	Direct technical and other assistance to grantees (see instructions)			
d	All other (attach schedule)			
e	Total—add a through d			-0-
3	Program-related investments (describe each type)			
a				
b				
c				
d	All other (attach schedule)			
e	Total—see instructions			-0-
4	Other qualifying distributions			100
5	Other expenses not included in lines 1–4.			180

SAMPLE

Part XVII-B Supporting Data

1 Describe on an attached schedule the bases (for example, time spent, salary expenses incurred, space utilized, etc.) used to allocate administrative expenses to the activities described in Part XVII-A.

2 For the foundation's principal direct charitable activities and program-related investments provide a schedule of relevant statistical information, such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc. N/A

3 Attach a schedule for Part XVII-A, lines 2 and 3, setting forth for each activity or investment area the amount of any income produced by it. N/A

Part XVIII Public Inspection

1 Enter the date the notice of availability of the annual return appeared in a newspaper ▶ April 4, 1986

2 Enter the name of the newspaper ▶ Atlanta News

3 Check here ▶ [X] if you have attached a copy of the newspaper notice as required by the instructions. (If the notice is not attached, the return will be considered incomplete.)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

J. Rollins Phillips — Signature of officer or trustee — 4/9/86 Date — President Title

Paid Preparer's Use Only

Preparer's signature: Nicholas Miller — Date: 4/8/86 — Check if self-employed ▶ ☐ — Preparer's social security no.

Firm's name (or yours, if self-employed) and address: Nicholas Miller Assoc., 711 Wiles Ave., Atlanta, GA — E.I. No. ▶ 58 7654321 — ZIP code ▶ 30302

Public Notice

The annual report of the Oak Foundation, Inc. is available, at the address noted below, for inspection during normal business hours, by any citizen who so requests within 180 days after publication of this notice of its availability.

SAMPLE

The Oak Foundation, Inc.
53 Winchester Dr
Atlanta, GA 30320

The principal manager is
J. Rollins Phillips, President
Telephone (404) 423-4567

This notice appeared in the Atlanta News on April 4, 1986

THE OAK FOUNDATION, INC. E.I.N. 58-1234567 SCHEDULE OF INFORMATION FOR FORM 990-PF

PART I, LINE 16

Accounting services

Nicholas Miller, C.P.A. For auditing and preparation of Form 990-PF $280

PART I, LINE 18

TAXES

The 1984 excise tax on net investment income $320

SAMPLE

PART I, LINE 19, DEPRECIATION SCHEDULE

Description of Property	Date Acquired	Cost	Prior Years Depreciation	Method	Useful Life	Depreciation for This Year
Office Equipment	6/2/81	$3,000	$1,050	S/L	10 years	$300

PART I, LINE 23, OTHER EXPENSES

Stationery	$105
Postage	55
Publishing annual newspaper notice	20
Telephone	140
Total	$320

PART II, LINE 10, INVESTMENTS--SECURITIES

Corporate Name	No. of Shares	Book Value	Fair Market Value
Atlas Inc.	100	$1,000	$1,100
Zeus Inc.	500	10,000	9,500
Athena Inc.	300	6,000	6,000
Mars-Mercury Inc.	500	10,000	9,000
Jupiter Inc.	100	30,000	31,000
Venus Inc.	500	5,000	5,500
Saturn Inc.	600	10,000	11,000
Total		$72,000	$73,100

PART II, LINE 14, LAND, BUILDINGS, AND EQUIPMENT

Description	Cost	Accu. Deprec.	Fair Market Value
Office furnishings and equipment	$3,000	$1,350	$1,650

PART VII, QUESTION 14c, TAXES ON TAXABLE EXPENDITURES

Information relating to grants subject to expenditure responsibility:

Grantee-Allen Reid Museum of Fine Arts-31 Meyers St., Atlanta, GA 30301.
Date paid-April 7, 1985. Amount $15,000.
Purpose-For the partial support of a major renovation and expansion of the museum facilities.
Amount of grant spent by grantee-$15,000.
Diversion-To the knowledge of the Foundation, and based on the the report furnished by the grantee, no partof the grant has been used for other than its intended purpose.
Date of report for grantee-Final report January 8, 1986.
In addition to its own report covering the use of grant funds, the grantee furnished an independent auditor's report of its operations for its fiscal year ending September 30, 1985. Since this latter report verified the information provided by the grantee, the Oak Foundation, Inc. deemed further verification of the grantee's report unnecessary.

PART VII, LINE 15, SUBSTANTIAL CONTRIBUTORS

Individual	Date	Amount
Miss Carroll Haggerty 121 Anderson Ave. Athens, GA 30601	12/7/85	$16,000
Miss Rachael Patton 162 Reno Rd. Rome, GA 30161	5/17/85	$15,000

SAMPLE

Both substantial contributors are nieces of the foundation's president but are not otherwise related by blood, marriage, or stock ownership to the foundation or its managers.

PART XVI, LINE 2b and d

b Individual applicants should submit a brief resume of academic qualifications. For research grants, include an outline of the proposed investigation and a proposed budget.

d Preference is given to Georgia residents and charitable organizations. Most grants are made for educational purposes but, to the extent that funds are available, grants may be made for other purposes and to individuals and organizations in other states. No more than $5,000 is granted to any one person over a 4-year period. Grants to organizations are not more than $25,000 to any one organization in one year.

PART XVII-B--SUPPORTING DATA

Line 1--The salaries of officers and employees reported in Part I were allocated between grant-making and investment activities on the basis of time spent on each. The fee for preparing Form 990-PF was specifically identified and reported on line 4 of Part XVII-A, and depreciation expense not attributable to investment was reported on line 5. The remaining administrative expenses were allocated on the basis of salary expenses attributable to each activity.

Pre-grant Inquiry

Prior to January 1, 1985, when a private foundation made a grant to an organization that was not described in section 509(a)(1), (2), or (3) it was required to exercise expenditure responsibility over the grant under section 4945(h).

Beginning on January 1, 1985, grants made to exempt operating foundations described in section 4940(d)(2) are also excluded from the expenditure responsibility requirements.

To obtain the necessary information from organizations that are subject to the section 4945(h) requirements, a pre-grant inquiry form was developed that such organizations could submit when seeking a grant from a private foundation.

We have included this model format as it might be submitted by a civic association that requested money to build a Little League baseball field for the community. Part III of the example is blank because the application has only been submitted to but not yet acted on by the Oak Foundation, Inc.

The format shown here may be used by any private foundation to obtain pre-grant information from an applicant organization. The format may also be used by a grantor foundation to show that it is maintaining expenditure responsibility under section 4945(h) in carrying out its grant program.

Organization's Application for Grant From Private Foundation
(Not for use by individuals)

To:	From:
The Oak Foundation, Inc.	The Sharp Ridge Community Assn.
(Name of Foundation)	(Name of Applicant)
133 Winchester Dr.	4405 Sharp Ridge Rd.
(Street Address)	(Street Address)
Atlanta, GA 30320	Marietta, GA 30060
(City, State, and ZIP code)	(City, State, and ZIP code)

Part I. Information about the Applicant

1. Is the applicant organized as a nonprofit organization under State laws governing charitable organizations? . . . . . ☒ Yes ☐ No
   If yes, what State or Commonwealth governs? Georgia
   If no, please explain:

SAMPLE

2. Has the applicant received a ruling or determination letter from the Internal Revenue Service about any of the following?
   (a) Exempt status . . . . . ☒ Yes ☐ No
   (b) Private foundation status . . . . . ☐ Yes ☒ No
   (c) Grant-making procedures . . . . . ☐ Yes ☒ No
   Attach a photocopy of each such letter. (a) Copy of letter attached.
   If any item is marked no, explain: (b) and (c). We are a civic association exempt under section 501(c)(4) of the Internal Revenue Code and thus are not subject to the private foundation rules.

3. (a) Attach a copy of the applicant's proposed budget for the year in which the grant funds are to be used. Copy of budget attached.
   (b) If this grant will be a substantial and material part of the total budget, attach a copy of the latest information return (Form 990 or 990-PF) filed by the applicant with the Internal Revenue Service.
   (c) Describe the applicant's purposes and activities in general.

Our purposes are to provide leadership in improving our community by supporting such things as recreational facilities, improving the community's general appearance, providing information of general interest to the members of the community. To support and carry out these purposes, we provide a community center, playground, swimming pool and tennis court; we also provide shrubbery and volunteers to landscape the streets and other community projects; and we publish a monthly newsletter detailing activities of general interest to the residents of the community.

4. Is the applicant controlled by, related to, connected with, or sponsored by another organization? . . . . . ☐ Yes ☒ No
If yes, identify the organization (including its purposes and activities) and explain the relationship:

SAMPLE

5. List the name, address and title of each member of the applicant's governing board:

Charlie Houston	President
(Name)	(Title or office)
5016 Ginger Circle	Marietta, GA 30060
(Street address)	(City, State, and ZIP code)
Joanne Kent	Secretary
(Name)	(Title or office)
3847 Pierce Lane	Marietta, GA 30060
(Street address)	(City, State, and ZIP code)
Jerry G. Henry	Treasurer
(Name)	(Title or office)
4500 Sharp Ridge Rd.	Marietta, GA 30060
(Street address)	(City, State, and ZIP code)

(If more space is needed attach a separate list)

6. Has the applicant (or any organization listed in 4, above) ever applied for or received a grant from this foundation? . . . . . ☐ Yes ☒ No
If yes, give details:

Organization's Application for Grant From Private Foundation

Part II. Use of the proposed grant

7. Show the amount requested and explain in detail how it will be used. State whether the grant is to be earmarked for the use or benefit of any one person, group, or class of people. If so, for whom?

We are requesting $3,000 to build a little league playing field. The funds will be used to buy materials to make bleachers, dugouts, fences, and a backstop, and to pay for necessary excavating work. All other labor required to construct these facilities will be done by volunteers from the Sharp Ridge Community Assn. and the Sharp Ridge Youth Athletic Club. The Sharp Ridge Youth Athletic Club will be the principal users of the field.

8. Person to contact who will be administering the proposed program.

SAMPLE

Mr. J. G. Henry	Treasurer
(Name)	(Title)
4500 Sharp Ridge Rd.	Marietta, GA 30060
(Street address)	(City, State, and ZIP code)
(404) 566-4444	
(Area code and telephone number)	

Describe this person's experience and qualifications to administer the program.

Mr. Henry is a building contractor (Volunteer Construction Co., Inc., Atlanta, GA., telephone (404) 602-9363) and will personally supervise the building of the facilities as his schedule permits. In his absence he will provide an experienced person to supervise the job.

From my own knowledge, I state the information given in Parts I and II is correct. The applicant organization has authorized me to make this application.

Charlie Houston	10/31/85
(Name)	(Date)
President	
(Title or office)	

The information in Parts I and II is to help the grantor foundation meet the requirements of section 4945(h) of the Internal Revenue Code.

Organization's Application for Grant From Private Foundation

Part III. To be filled in by Grantor Foundation

9. Evaluation by grant or program officer:

10. Special supervisory or follow-up requirements, if any:

SAMPLE

11. Remarks:

_____
(Grant or program officer)

12. Action taken. (Person to approve action must initial and date)

(a) Approved as requested	(_____)
(b) Approved as modified, see Remarks	(_____)
(c) Denied	(_____)
(d) Date of grant agreement	(_____)
(e) Amount of grant $ _____	(_____)
(f) Date of grant _____	(_____)
(g) Date of interim report _____	(_____)
(h) Date of final report _____	(_____)
(i) Date file closed _____	(_____)

SHARP RIDGE COMMUNITY ASSOCIATION

PROPOSED BUDGET

January 1, 1986 to December 31, 1986

Income

General	
Dues/Assessments	$14,300.00
Sale of Flowers/Plants, etc.	3,100.00
Interest	400.00
Activities	
Dance Admissions	6,200.00
Food/Beverages (Dances & Parties/Vending Machines)	5,900.00
Raft Race	900.00
Book Sale	2,400.00
Total Income	**$33,200.00**

SAMPLE

Expenses

General	
Cleaning Supplies	$ 500.00
Flowers/Plants to Sell	2,400.00
Food/Beverages	4,600.00
Pool/Maintenance/Lifeguard	2,500.00
Legal/Accounting	500.00
Office Supplies/Newsletter	1,800.00
Utilities	1,700.00
Janitorial and Office Help	2,900.00
Principal and Interest on Mortgage	6,500.00
Taxes	1,100.00
Insurance	1,400.00
Activities	
4th of July	600.00
Landscaping	2,900.00
Raft Race	300.00
Other Recreational Activities	3,100.00
Annual Board Meeting/Election of Officers	200.00
Christmas Party for Children	400.00
Construction of Little League Playing Field	3,000.00
Total Expenses	**$36,400.00**
Deficit	**$(3,200.00)**

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